ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 184 Number 5576 | New York 7, N. Y., Thursday, October 11, 1956 | Price 40 Cents a Copy

EDITORIAL

As We See It

Money economists—that is economists who talk glibly of "money supply" and insist that there is or ought to be some fixed ratio between the total "supply" of money and the volume of business being done—are now having a field day. They never tire of pointing out that during the past year and a half or so there has been hardly more than a trifling increase in money supply while the volume of business being done has grown quite substantially. In this they find an ominous portent for the future. Some of them find it possible even to point to various occasions in the past when just such a concatenation of circumstances preceded, if it did not cause, business depressions—although the facts and figures do not seem to many of us to bear out such an analysis.

It is unfortunate that these economists do not take a closer look at the facts. In much that they say it seems to be implied that nothing of much consequence has occurred during the past year or so as far as "money supply" is concerned. Yet such is certainly not the fact. It is true that the total of demand deposits adjusted and currency outside banks (the figure commonly termed "money supply") has risen only a billion or two during the past year or so, but this generalization covers a multitude of significant changes. To talk only about what this total has done over this period of time is like unto staging the play of Hamlet with the Danish Prince missing.

Take a look at the record. These deposits and this currency do not just happen. They are the result of several definite causes. In the period now under review the major—it would hardly be exaggeration to say the only cause for change

Continued on page 29

Auto Industry's Faith in New Prosperity Decade

By F. C. REITH*

General Manager, Mercury Division
Vice-President, Ford Motor Company

1957 outlook for the industry of 6,750,000 or more new model cars and a repetition in next decade of similar 40% growth achieved in past 10 years is projected by Ford Motor official. In furnishing data estimates of the shape of the economy to come in next few years, Mr. Reith disproves argument that the auto industry unduly exploited the 1955 market, or that credit was over-extended; visualizes surpassing, in not too distant future, the 1955 level, making before long such production seem commonplace; and sees a norm rising with the economy warranting Ford's $1.2 billion investment committed for next year and continued future investments.

Almost every business in the country pauses at least once a year to take stock of its accomplishments and check its position. Either around the New Year or at the beginning of the July fiscal year business managers glance back to see where they have been, and then take a long hard look ahead to try to judge the potential for the future. During these periods of reassessment the braver business leaders around the country bring out their crystal balls and try their hand at predicting the course of the economy. During January and July our newspapers, business and trade journals, radio and television are loaded down with economic prognostications. Some speakers warn of approaching crises, and others exhort us to face the future with confidence and optimism. There's usually a prediction to fit every individual predilection and prejudice. However, we in

F. C. (Jack) Reith

Continued on page 34

*An address by Mr. Reith before the Raritan Valley Society for the Advancement of Management and New Brunswick Chamber of Commerce, New Brunswick, N. J., Sept. 26, 1956.

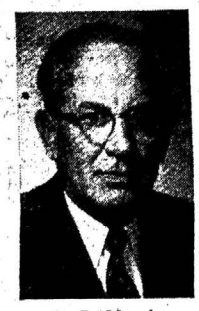
Inflation: No. 1 Problem

By RAY D. MURPHY*

Chairman of the Board, The Equitable Life Assurance Society of the United States

In admonishing life insurance industry to lead the fight for "sound" money, Mr. Murphy asserts: (1) most governments are unwilling to face necessary discipline to avoid monetary price depreciation and far too many believe that a little inflation is a good thing; (2) erroneous notion about built-in stabilizers provides false sense of security and lessens caution, and (3) inflation can shatter our social welfare objectives and political institutions. Recommends: amendment of Employment Act of 1946 to allow economic growth only within framework of stable price level; permit Federal Reserve to exercise own judgment; and avoidance of inflationary bank credit in providing new capital needs.

A stable price level means the avoidance of both inflation and deflation. At the present time, inflation, not deflation, is our problem. It is inflation which has depreciated the purchasing power of the world's currencies. It is a worldwide phenomenon, not peculiar to our own country. Pick's Currency Yearbook for 1956 shows the depreciation of 53 currencies in the ten years from 1946 to 1955 as measured by each government's own cost of living index. The United States dollar, which is supposed to be one of the world's sounder currencies has declined by 27% in this last 10-year period and stands in about sixteenth place among the nations' currencies in order of depreciation since the termination of the Second World War. The British pound lost 35% and the French franc 66%. Near the bottom of the list stand Chile, Paraguay,



R. D. Murphy

Continued on page 32

*An address by Mr. Murphy before the Annual Meeting of the National Association of Life Underwriters, Washington, D. C., Sept. 26, 1956.

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 38.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

American Machine and Foundry Co. — Edward Marcus, Institutional Dept., Ira Haupt & Co., New York City. (Page 2)

Arthur G. McKee & Company—Everett W. Snyder, Partner, E. W. Snyder & Co., Syracuse, N. Y. (Page 2)

EDWARD MARCUS
Institutional Department
Ira Haupt & Co., New York City

American Machine & Foundry

With the stock market outlook as clouded as it is at present, a security that promises both stability and long-term growth is indeed hard to find—especially if it is also priced moderately. Yet, even a casual analysis will convince the investor that American Machine & Foundry fills this need. Its stability comes, in particular, from its stable, increasing rental income from its pinspotter—the automatic pinboy for bowling alleys. Its growth is promising, both from its leadership in atomic energy and its continued progress in the cigaret and tobacco using fields. Its selling price relative to earnings is still moderate—in the vicinity of 11. Hence, given such favorable factors, it would seem advisable to consider including either the common or the convertible bonds in one's portfolio.

Edward Marcus

More people bowl today than watch baseball, and the depression proved that they continued to bowl in good times and bad. Many alleys that have been needed have not been built because of a lack of pin boys. American Machine & Foundry's automatic machine rectifies this; based only on its share of present alleys, the income from the rental of these machines should more than take care of dividend requirements. About half of net earnings come from this and other rentals.

My estimates of the company's income from the increasing acceptance of the pinspotter, plus the expected recovery in several other divisions, notably wheel goods and defense orders, indicate an increase of at least 50c per share for 1956 earnings and 75c for 1957. All told, I foresee 1956 per share earnings of $3.00-$3.25, up $1.35-$1.60 from 1955.

This is not to imply, however, a corresponding increase in the cash dividend. The debt maturity requirement as a result, in particular, of the pinspotter, has increased the annual repayment schedule markedly; approximately $5 million annually is required for this alone. Hence, over the next few years, during the stepped-up rate of such repayments, much of the free cash will be required for paring down fixed obligations. Add the normal expansion needs of a company as dynamic as AMF, and it can be foreseen why the payout will continue to remain low. As an offset, though, it can be assumed that some annual stock dividend will continue to be declared. This has ranged between 2% and 5% in the past five years, and 1956 should be no exception — probably, in view of the sharp pickup in earnings, closer to the higher figure.

AMF has several new possibilities which should step up its revenues from the cigaret manufacturers, though not to the extent of the pinspotter. Last February is demonstrated a new hard box cigaret packing machine. At present only a few brands are packaged this way, and all have relied on foreign equipment. AMF believes its attachment is superior in many ways. It is faster, perhaps cheaper to operate, and can be used as an attachment to existing machines whereas its foreign competition must be bought as a completely new unit. Its success, of course, depends on the swing to this new and somewhat more expensive form of promoting cigaret sales. The present cigaret market — some 400 billion units a year—could absorb up to 2,000 machines, at, say, $10,000 each, depending on the extent of the changeover.

In addition, AMF has several approaches to reduce tobacco wastage for both the cigar and cigaret manufacturer. Since tobacco is the largest production cost, success here should also spell a nice addition to revenues.

The acquisition in 1955 of American Iron & Machine Works Company brought AMF into the oil well drilling and recovery equipment field. The continued and growing search for more crude petroleum assures this subsidiary of a growing market, and this year's sales should register a further increase. The company is already one of the major units in many segments of this industry.

Finally, for the longer run, an intriguing unknown is atomic energy. AMF has been very active here, and is currently one of the main reactor producers. As for almost every other company, the atom has spelled more in outlay than income. But at this stage of so tremendous a growth area such is not surprising. What is significant is AMF's current activity and measured success already—one which clearly indicates that it will continue to remain a leader. (It was an AMF reactor that was selected for the new Dutch atomics exhibition.)

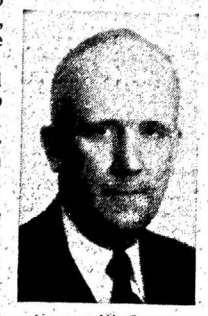
For the investor, a word should also be said about the relative financial appeal of the newly issued 4½% subordinated debentures, due July 1, 1981. Through July 1, 1966 these are convertible at $32.50 per share, with the usual protection against dilution. The common, currently selling at about 35, pays a $1 cash dividend, plus the possibility of a stock dividend. The bond is now at a small premium of about one-eighth the cost of the equivalent common stock, yielding about ½% more. Hence, for those cautious about the immediate future of stock market trends, the extra premium to obtain a more stable bond is somewhat compensated by the higher current yield.

Either medium is an attractive means of sharing in the promised growth of AMF. Earnings in 1956 have already moved up sharply—$1.50 in the first six months against $0.57 in 1955. While the stock has not yet responded—undoubtedly, the new bond issue depressed the common somewhat as new funds were diverted—I believe that substantial capital gains will accrue, and in the not-too-distant future. With diversity giving stability, and research opening new markets, American Machine & Foundry should merit consideration, either for the common or the subordinated debenture. (Both issues are listed in the New York Stock Exchange.)

EVERETT W. SNYDER
Partner, E. W. Snyder & Co.
Syracuse, N. Y.

Arthur G. McKee & Co.

The requirements of the average investor may be quite simply stated. In return for his continued business he only asks that we provide for him investments carrying three essential factors—safety, high income and, in due course, a profit. The prospect of coming up with this happy combination thus becomes our problem, the solution of which may be at least approached through the application of a few fundamental measurements of quality.



Everett W. Snyder

As we seek out this ideal investment, we might first look for a company that has matured through many years of sound and profitable growth, but still without visible limitation as to expansion. It is well that it be identified with, and serving basic and growing segments of our economy. It has modest capitalization and a management having displayed an awareness of its owners' rights to a fair share of earnings. It might also be just a bit on the obscure side to the extent that its shares have not become speculatively over-priced.

Some years ago, I had occasion to apply this formula to the common stock of Arthur G. McKee & Co. with headquarters in Cleveland, Ohio. Now, as I offer these observations, it should become understandable why this stock finds its place in my estimation as a "favorite."

The corporate activities of McKee have been quite simply stated as "Engineers and Contractors." This calls for some elaboration. The engineering phase involves consultation and design preparatory to the construction of projects of no small magnitude—blast furnaces for the iron and steel industry—oil refineries and processing installations, along with chemical plants and steel mills in their entirety. Following the initial phase of engineering and design, these projects are constructed, equipped and put into operation under contract.

From its start at the turn of the century, McKee's growth paralleled, during its early years, that of the iron and steel industry, and like so many legends of success that are part of our industrial history, the inception and rapid development of the company followed a familiar pattern. It is a story of a young engineer, facing demotion and reduction in pay, deciding to launch out on his own. With a one room office and a few thousand dollars of borrowed capital, a new business was started. In the relatively short space of 20 years, operations had expanded across the land and into foreign fields, projects having

Continued on page 35

Errors in Financial Advertising Easily Overcome by Dealers

By DAVID CRAWLEY

Small proportion of financial advertising keeping pace with public changes in composition and characteristics, and developments in advertising techniques, is decried by Mr. Crawley, in listing the criteria for successful financial advertising—not for the converted but for the indisputably large potential market waiting to be taught how to use their savings. Distinguishes national-scale advertising program, which makes people want to invest, from individual firms' advertising, which tells "how to take the first step." Discusses principles and practices, challenges and obstacles, confronting the investment dealer in making known his powerful story and in taking the unknown out of investing.

Most financial advertisers have now accepted the concept that all the world's a stage, with a constant stream of newcomers entering from one side while old friends depart from the other. The players are a changing group, never static, never still.

David Crawley

This analogy with the theatre is an excellent one from the point of view of new business promotion because it highlights the need for unremitting efforts in advertising and public education. The people who listened to your story yesterday are not the same people who listen today. The clients who are now familiar with your services are gone tomorrow and replaced by strangers who have never heard your name.

Unfortunately, too many financial advertisers forget that the public changes not only in composition but in characteristics as well. They accept the necessity of some kind of year in and year out sales promotion, yet fail to see that the advertising message and method of presentation must vary to suit the times. The program that was acceptable 20 years ago is not efficient by modern standards.

Only a small proportion of financial advertising has kept pace with developments in advertising techniques. A look at the collection of advertisements published by the Investment Bankers Association certainly indicates that progress has been made by many firms, but even a casual glance at the daily paper reveals that the IBA selection is "best of show" material and that run of the mill financial ads live pretty much in a world apart.

Problems Confronting Financial Advertising

At the very outset let it be stated that the planners of financial advertising face a number of complex and unusual problems. They are dealing with people's savings, always a sobering thought to the responsible, and they probably carry vivid and unhappy recollections of the damage done to public confidence by past market breaks. They may even question the value of a sales campaign in the mass media in view of the highly personal and individual factors that lie behind the purchase of investment securities. Always, of course, they are caught in the cross-currents between sales promotion and conservatism, between experiment and tradition.

Nevertheless, problems may be viewed either as challenges or as obstacles, and the present state of financial advertising indicates that the latter alternative still has a wide following. Because the behind the scenes difficulties and indecisions have neither been solved nor reconciled, much financial advertising lacks enthusiasm, strength, and selling power. It is not sure what it wants to say nor what groups it seeks as an audience. Lacking clear cut objectives, it has had little incentive to grow beyond the A-B-C's of the advertising world.

Financial Advertising Criteria

To be successful, advertising must not only convey information, it must also create favorable feelings and attitudes towards the facts it imparts and towards the advertiser. It must educate as well as inform. It should reach out to the reader and speak to him in terms that have meaning in his daily and personal life. Invariably it should be direct in approach, simple rather than complex, warm and enthusiastic in tone.

However, as virtually all financial advertising appears on the business pages of our newspapers, it may be said that these criteria do not apply. Why waste money preaching to the converted? Why dwell on benefits to the reader when he is probably fully aware of all that you can offer? Why spend money for art, layout, and large advertising space to catch the attention of the man who may come into your office that afternoon?

This is all true. Business page advertising is used to announce a new service, the opening of an office, a change in staff, and the appearance of a new security issue. For these purposes little is needed but enough space to print the bare facts.

This kind of advertising, however, is not the kind that will reach the millions of potential in-

Continued on page 26

INDEX

Articles and News Page

Regular Features

*See article on page 4.

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President

Thursday, Oct. 11, 1956

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

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

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

Subscription Rates

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

Other Publications

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

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

Panama—Corporate Haven Now Awaiting Natural Resources Boom

By A. WILFRED MAY

Mr. May reports on Panama's thriving tax-conscious incorporation industry, with the possibility of a strong fillip thereto from bringing-in of adjacent oil well, which has already instigated an oil rush. Also cites growing activity in minerals exploration. Lists and analyzes country's unique advantages for foreign businessman in non-tax as well as tax categories, with new President's intentions for further encouragement.

(Mr. May was recently in Panama—Editor.)

Now the magic figure of oil has arrived to add a lusty fillip to Panama's thriving tax-conscious incorporation industry. Not that this was a necessity for the attraction of foreign capital. Already domiciled here (in their lawyers' offices), and spawning rapidly, are at least 10,000 foreign controlled companies, an estimated 2,000 of which represent American interests, with the balance scattered from Germany to Switzerland to Greece to Argentina.

A. Wilfred May

Interest in oil prospects has been brewing for some time, as exemplified by the acquisition of 2¼ million acres, on- and off-shore, last June by Consolidated American Industries. But now the oil rush, as well as actual drilling operations, are really going to town, following the bringing-in a month ago of the first oil well in adjoining Costa Rica (by Union Oil of California). The proven well being situated only a mile from the border, with its offset in Panama, has naturally instigated an intensified grab for further concessions by at least three more companies. And then the Suez difficulty has applied additional "tang" to the oil prospects here.

Mineral Prospects

In metals, too, things are stirring. The country's mineral wealth is being newly looked into via a series of investigations by such well known U. S. enterprises as Aluminum Co. of America, the New York-Honduras & Rosario Mining Company, and the Utah Construction Company.

The eventuation of a substantial flow of oil or unearthing of metals midst her uniquely favorable tax situation would surely establish Panama as the world's greatest financial utopia of all time. But even now, ex-oil and ex-minerals, the country offers most interesting advantages to the foreign capitalist, with further enhancement being promised by the new President, Ernesto de la Guardia Jr.

Both because the represented advantages of this "haven" for foreign business have been so largely concentrated in the tax advantages, and the qualifications thereto tend to be glossed over, we will first interpose some of the major privileges outside the tax area which benefit the foreign businessman and investor.

Non-Tax Advantages

Basic to the benefits offered is this little country's *location;* standing between the great Latin American economies and the threshold of the world's great link of commerce, the Panama Canal.

Again, corporations, both domestic and foreign, operate with an absolute minimum of controls. Stockholdings may be issued and maintained unidentified in bearer form. And businessmen may do business abroad under anonymity.

A corporation may be wholly owned by non-nationals with the privilege of maintaining offices, along with directors' and stockholders' meetings, outside the country.

There is no foreign exchange problem, with government controls, including import licenses, nonexistent. With the medium of exchange, the United States dollar, being freely interchangeable with the balboa, the American businessman has complete freedom of action exchange-wise regarding the shifting of his assets and profits.

By using the facilities of the Colon Free Zone, a foreigner can ship goods to Panama for subsequent re-export; meanwhile processing and warehousing them there without paying any duties.

Another Operation Bootstrap

Under a law referred to as Panama's *Operation Bootstrap,* a company starting a new business can import equipment and raw materials free of duty for 25 years, and be assured of the benefit of high protective tariffs against competition.

Tax Benefits

Although there tends to be some exaggeration of the tax benefits, there are numerous advantages making definitely worthwhile the legal domiciling here of the foreign-controlled business. These benefits relate both to the gross *amount* of taxes paid, and to the *timing* of such payments.

Panama does not levy a tax on income earned outside the country, which provision includes the proceeds of transactions made outside the country. Thus, a United States concern incorporated in Panama, but conducting its business outside both Panama and the United States, can pile up its earnings free of current taxation by either the United States or Panama; and can thus use them in any third country it chooses. Profits for the production of further income can be accumulated (without possible penalty); and in any event, even if the proceeds be eventually brought home subject to a tax levy, the *timing* of such take-home is left to the owner's discretion. He always retains the choice of bringing back his capital, or reinvesting it—with a shift of country, if desired. And from the individual's position, current income can be changed into the lower-ceilinged capital gains.

Center of Triangular Transactions

Not only does a Panama corporation pay no Panama taxes on income earned outside of Panama, nor U. S. taxes on income derived from outside the States, but it is not required to file a U. S. income tax return if it does not do business in the U. S. Hence Panama, along with Venezuela, Haiti, and Bermuda, can be highly serviceable as the center of a triangular trade transaction.

The Panamanian tax, on income earned within the country, ranges from 2% to 34% on income over $1 million, and qualifies for the United States foreign tax credit.

From the individual's viewpoint, the U. S. stockholder of a Panama corporation, while paying his U. S. tax on any dividends brought home, avoids the prior subtraction of the 52% U. S. corporation tax. If the stock of a Panama corporation is sold, or the corporation is "collapsed" or otherwise liquidated, the tax on the proceeds is ceiling-ed at 25% — with, as indicated above, discretion vouchsafed in the holder.

And in the case of inheritance of such stock, in line with our capital gains tax provisions the levy on receipt of prior income in this manner will be avoided entirely, to the extent that such income is reflected in the value of the stock at date of death.

Fast Money-Back Privileges

A company starting a new business, under the decree law previously mentioned, enjoys the privilege of a three-year depreciation write-off of its entire equipment. No taxes are paid until you get your money back in that short interval; with the consequent pyramiding of profits. An American firm putting $600,000 into a rolling mill, expects to get its money out in three years, and then expects to make 40% annually on the original investment. After the three years, while the profits are subject to income tax, they will be split into separate companies to avoid surtax.

Profits on exports are nontaxable, even though earned from Panama; with latitude for juggling between export and internal operations.

Some Hitches

Along with the advantages of Panama incorporations, the drawbacks, or at least caveats, should not be overlooked. Basically, it must always be remembered that it will at some time be desirable to bring income back home, when a reckoning must be made. Dividends of a foreign holding subsidiary are fully taxable to the parent concern as income. And there are pitfalls connected with personal holding companies, incorporation for sheltering profits, parent ownership, liquidation, and foreign tax credits, which must be scrutinized, under the advice of tax experts.

But, in any event, the plus-advantages outweigh the minus-es by far. And as confirmed in an interview with the new President, Mr. de la Guardia, the trend of government policy leans toward further liberalization. Under his philosophy that employment stimulation is the big aim, he holds out the possibility that all foreign business might some day be completely exempted from taxation.

Smallwood Placed on NASD Nominating Com.

DALLAS, Texas — William P. Smallwood, Vice-President of The First Southwest Co., Dallas, has been appointed Chairman of the Nominating Committee of District Committee No. 6 of the National Association of Securities Dealers.

W. P. Smallwood

Mr. Smallwood is a former member of the NASD board of governors.

Appointed as members of the nominating committee are: Cecil J. Cox, The Columbian Securities Corp., San Antonio; Frank Miller, Frank Miller & Co., Dallas; Dana T. Richardson, Underwood, Neuhaus & Co., Inc., Houston; and William J. Shawell, Shawell & Co., Houston.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla.—Richard W. A. Davis is now with King Merritt & Co., Inc.

An Invaluable Sales Tool For Dealers in Securities

By JOHN DUTTON

Brochure setting forth manifold investment opportunities available only among securities traded in the vast Over-the-Counter market is described by sales expert as invaluable tool for dealers in developing large-scale investor interest in this important sector of the equity markets. Calls attention to availability of excellent sales-promotion material at extremely nominal cost.

The article bearing the title "The Great Over-the-Counter Market—Biggest in the World," which appeared on the cover page of the "Chronicle" Oct. 4, demolished with authority and conviction the myths and misconceptions still prevalent concerning the so-called unlisted market. Like its predecessors, the purpose of the article was to point up the large number of blue chip and potential blue chip securities which are available only in the counter market. This fact was well documented in the tabulations which were part of the article, a feature of which was the listing of the hundreds of unlisted stocks on which consecutive cash dividends have been paid from five to 172 years. A glance at these tabulations graphically illustrates why investors are turning increasingly to the unlisted market in their search for safe and highly attractive investments which can be counted on to produce not only eminently satisfactory investment income but substantial capital gains as well.

Reprints Available

As is well known, thousands of reprints of previous "Chronicle" presentations were mailed by broker-dealers to their clients and investors generally. However, the task is still a long way from being completed; hence the brand new and completely revised presentation in last week's issue of the "Chronicle" bearing the caption "The Great Over-the-Counter Market — Biggest in the World." Reprints of it will be available at a cost of 20c each in lots from 1 to 199, and 15c each in greater quantities. The list of over-the-counter dividend payers from 5 to 172 years alone makes interesting reading, and the information pertaining to this market is presented in a manner that even the most unsophisticated investor can understand.

This excellent sales promotion literature is being made available by the "Chronicle" as heretofore in an attractive pamphlet which fits neatly in a Number 10 envelop. "Compliments of" and the dealer's name in the line below is imprinted in the space provided for this purpose when 100 copies or more are ordered.

Advertising the Product

Using a double return card, or a newspaper advertisement, copy along this line might be productive of interested inquiries.

"The Great Over-the-Counter Market—Biggest in the World"

Send for a free list of sound, growing unlisted companies whose common stocks have paid cash dividends consecutively for 5 to 172 years. A free booklet, "The Great Over-the-Counter Market—Biggest in the World," will be sent you on request—no obligation, of course.

BLANK & CO.

Telephone_____or mail coupon below for your free copy

Blank & Co.,
Main Street, Anytown, U. S.

Without cost or obligation please mail me a copy of your pamphlet on *"The Great Over-the-Counter Market—Biggest in the World,"* containing data on unlisted stocks that have paid consecutive cash dividends from five to 172 years.

Name_____

Address_____

Breaking Down Sales Resistance

This booklet should be sent to all clients, and it should be advertised in the newspapers for the simple reason that it will break down sales resistance against unlisted securities. Every day that your salesmen are out talking with potential clients and investors they are faced with the unnecessary burden of explaining and apologizing for the fact that some security they may be offering is unlisted. If you will only look around and see the opportunities for capital growth that have gone across your trading desk during the past 10 to 15 years in the unlisted market, there will be no doubt in your mind that something positive should be done to continuously awaken the investors of this country to the fact that one of the most important areas for capital growth, income, and for the location of sound conservative investments is in the unlisted market.

The "Chronicle" Is Taking the Lead in This

In my opinion, too much can not be done to bring the facts contained in the "Chronicle" articles before the public. The unlisted security is still on the defensive when it goes out to compete for the investor's dollar merely because up to now no concerted effort has been made to educate the public on the attractive investments available in the Over-the-Counter Market. But this should not be so because the unlisted market is not just a place where cats and dogs are traded—yet too many people still seem to think this is so.

The only way to overcome investor apathy toward securities traded in the Over-the-Counter Market is to mail such literature as this "Chronicle" reprint to your customers — advertise this article in the papers and send it out to prospective clients—and

if you want to do something even more constructive along this line do some affirmative advertising about unlisted securities in your local papers and make it a cooperative effort backed up by several of the leading firms in your community. One of the most remarkable jobs of "hiding light under a bushel" I have ever seen is the way that the investment business has neglected to inform the public that some of the most important firms in America have their stocks traded over-the-counter; that some of the best growth situations in America are traded over-the-counter; and for yield and comparative security, plus breadth of choice, it is the Over-the-Counter Market that offers the investor the largest stock market in the world. Yes, larger than the New York Stock Exchange, the American Exchange and all the regional exchanges.

Your customers should know these interesting facts. Won't this help your salesmen to do more business with less resistance?

The State of Trade and Industry

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

Notwithstanding fractional decreases in the output of electric power, paperboard and food products in the period ended on Wednesday of last week, total industrial production for the nation as a whole held at a high level. Unemployment claims rose 2%, and exceeded those of a year ago by 10%.

Initial unemployment claims dropped 22,400 to 163,000 during the week ended Sept. 29, the Bureau of Employment Statistics reported.

It stated the number of claims filed under state and Federal laws was lower than any previous week since mid-September of 1955. Claims were down 4,700 from the similar week in 1955, when the total was 171,700.

It pointed out that most of the decrease was because of a sharp reduction in auto model changeover layoffs and improved employment conditions in the leather products industry.

At the same time, it reported that the number of idle workers drawing unemployment pay dropped 75,300 to 945,000 during the week ended Sept. 22. For the similar week in 1955, the total was 840,700.

Reductions were reported in some 38 states, the agency said, with recalls in the auto and apparel industries contributing to the drop.

Problems such as growing shortage of shipping space, uncertainty about the volume of automotive demand and rising production costs are mounting for steel producers, "The Iron Age," national metalworking weekly, states this week.

Lack of freight cars is forcing some mills to reshuffle their shipping schedules to get steel to hardship cases. They are also turning more to trucks and barges, increasing the burden on these facilities. Indirectly, the freight car shortage builds up greater pressure for increasing plate and structural deliveries to the car builders.

The auto producers, it continues, apparently are biding their time on commitments for December steel deliveries. The mills are trying to keep space open for the auto builders and hope that the expected volume of orders comes through. Public reaction to new models will make the difference.

Rising production costs are a real problem for the steel companies, it points out. The recent coal contract, boosting miners' wages $1.20 per day immediately and 80 cents next April, is one of the latest. Other costs also have risen since last August's steel price rise, putting a squeeze on earnings.

This means that some time next year, if not before July 1, then on that date, steel prices will be boosted. It could be $6 to $7 a ton.

The market is tightening up all along the line, adds this trade authority. Cold-rolled sheet demand is coming back with hot-rolled sheet becoming a shortage item. Plate and structural demand is astronomical and linepipe and oil country goods are booked months ahead.

Meanwhile, states this trade weekly, the mills are operating at breakneck speed in an effort to ease the pressure. Steel production this month may set an all-time monthly record. November and December also will be big production months. Current monthly record of 10,900,000 tons was set last March.

An added feature in the tightening market is the switch by steel purchasing agents from a position of living off inventories to one of active buying. They have decided that, under the circumstances, it is too risky to lean further on inventories, and they are placing orders on the basis of present need. This need appears to be increasing as orders for plant and equipment goods rise. Capital spending this week was on an annual basis of $38,000,000,000, a new record, concludes "The Iron Age."

Personal income in August spurted to a yearly pace of $328,200,000,000, the United States Department of Commerce disclosed. This was nearly $4,000,000,000 above the July rate and $19,500,000,000 above the year-earlier level. Wage payments were the chief factor in the month-to-month rise. The largest gains, the Department said, came "in industries in which July income had been affected by the steel strike."

Auto industry employment got a further shot in the arm last week as five manufacturers launched 1957 model building sparking a 35% boost in United States car-truck building, "Ward's Automotive Reports" stated on Friday last.

On tap for the work period were 56,583 car assemblies, up 30% from the week-previous 43,369-unit count as Chevrolet, De Soto and Chrysler Division joined the ranks of 1957 model builders. This leaves only General Motors' Southgate, Calif., Buick-Oldsmobile-Pontiac facility still on 1956's; the windup

Continued on page 36

An American Economist in U.S.S.R. And Business-Credit Outlook Here

By DR. GROVER W. ENSLEY*

Executive Director, Joint Economic Congressional Committee[1]

Prior to discussing the business outlook and consumer credit's economic role, top Congressional staff economist asserts, on basis of talk with principal U.S.S.R. economists, that we have the best cold war weapon in view of contrasting philosophies held regarding the individual as a consumer. Dr. Ensley compares Soviet consumer consumption discouragement to achieve heavy capital outlays with, incongruously, U.S.S.R.'s effective propaganda in spurring Asiatic-Far East demands for higher living standards. Predicts U.S.A. a $550 billion economy by 1965 and, for the near future, further economic advances, at a slower pace than 1955, for remainder of 1956 and into 1957. Holds out prospect of increased consumption expenditures relative to business and defense outlays; urges broader consumer credit study; and rejects selective credit controls in peace time.

All of us appreciate the importance of economic growth to our business, our standard of living, our national security and our freedom. We are witnessing phenomenal growth in this decade. We believe this growth is sustainable—unlike the "new era" prosperity of the late 1920's. We are becoming increasingly aware of the key role of individual consumption to continued growth. Thus when we discuss the economic outlook—either in terms of the near future or the more distant horizon—our starting point is properly the consumer and the factors which affect consumption.

Grover W. Ensley

The importance of consumption stems primarily from the fact that it is the end of economic activity—the basic objective which motivates the huge and complicated machinery of our economy. In this country where the emphasis has been on production and productivity, business men have too often forgotten that consumption is the main spring of economic progress. Today, however, we recognize that whatever other objectives may seem to predominate in impelling expansion of economic activity, over the long run the process of economic growth—that is, expansion of capacity to produce and distribute desired goods and services—depends on expanding levels of human consumption.

Contrasts U.S.A.'s and U.S.S.R.'s Consumer Views

Furthermore, achievement of our other national goals—military, ideological and the like—is closely associated with our ability to share increasingly the output of our factories and farms with the consumer. Our democratic capitalistic system assures us that the consumer benefits from increased productivity. In totalitarian countries, such as the Soviet Union, suppression of the masses may be possible for a time, enabling increases in output to be devoted to military or political expansion. This contrasting philosophy with respect to the individual as a consumer must be gotten through to the great uncommitted regions of the world, just as we seek to demonstrate to these peoples the dignity of individual freedom. Our whole system is based on the proposition that the consumer is king! This emphasis on individual welfare is one of our best weapons in the cold war.

I have just returned from a meeting of the United Nations Economic Commission for Asia and the Far East in Bangkok, Thailand. As Chairman of the United States delegation I sat at the same table with representatives of the Soviet Union and representatives of some 18 nations of the Asian area.

Bangkok Conference

The area covered by the ECAFE includes countries where economic development has been virtually at a standstill for centuries. In these countries one characteristic is outstanding. For a host of reasons per capita consumption is low by our standards (or any standards) and severely confined in terms of the variety of goods and services available to consumers. Aspirations for increasing material satisfactions have been dulled and repressed over the years. To a large extent the process of economic awakening, the beginning of which are to be observed in the Far East today, comes directly from the increasing perception by this huge population that there is no inherent necessity to remain, generation after generation, at bare subsistence levels of living. They are being told by their leaders, by the U. S., and, I fear, very effectively by the U.S.S.R., that advances in living standards, in the amount and variety of daily consumption, are appropriate national objectives. Economic development in this region depends on this growing perception, and its translation into a vital economic force.

The opportunity to see the emergence of these broadening aspirations for higher levels and more varied types of consumption brings into sharp focus the chief driving force in America; our perpetual dissatisfaction with present achievements, our alertness in recognizing problems and our welcome acceptance of the challenge they present, and the nearly universal conviction that better ways of living are to be had if we apply the proper effort, imagination, and creativeness in our undertakings—these attitudes are the wellsprings from which our material progress flows. It is this perpetual seeking for better ways of life that has provided us the highest living standards in the world.

In the process of seeking and meeting economic challenges, we have developed certain institutions to facilitate the transition of wants into satisfactions. The development of consumer credit in this country is an outstanding example.

Consumer Credit's Key Role

The important role of consumer credit in our expanding economy is suggested by comparing the increase over the last decade of Gross National Product, consumption expenditures, and consumer credit. Gross National Product has increased 90% in the past decade. Over the same period personal consumption expenditures increased 117%. The volume of consumer credit outstanding increased by about $32 billion, or 570% in this period. The expansion of consumer credit has played an important part in the growth in consumer expenditures which, in turn, has contributed greatly to the total advance of the economy. This expansion in consumer expenditures—much of it made possible by consumer credit — has resulted in improved levels of individual living which, as we said earlier, is fundamental. But it has also meant more jobs, bigger profits, and unprecedented expansionary opportunities for the manufacturer, the distributor, and all those engaged in productive activity. It has eased the task of government with its responsibilities under the Employment Act to maximize employment and production.

I was interested in the attitude toward consumer credit in Russia, where I visited six days on my way to Bangkok. There, emphasis is on investment in heavy capital goods. The Soviet Government claims that 25% of national production is plowed back in this manner. Now, with this goal foremost, the dictators cannot afford to encourage consumption. Hence, they would deplore consumer credit. Actually they use it in reverse, by requiring payment, often weeks in advance, for some consumer durable goods. Their whole approach is centrally directed

Continued on page 31

*An address by Dr. Ensley before the 42nd Convention of the National Consumer Finance Association, Miami Beach, Oct. 4, 1956.

1 The views expressed are those of the speaker and do not necessarily represent the views of the Joint Economic Committee or individual members of that Committee.

The Changing Ins and Outs Of Foreign Stocks and Bonds

By WALTER A. EVERITT*
Economist, Model, Roland & Stone, New York City

Foreign stock and bond analyst delves into motivations for, natural case in favor of, and drawbacks to buying foreign securities, which consists now almost exclusively of stocks in leading international corporations and is distributed throughout most major cities in U. S. A. Everitt traces the major areas for foreign investments, including the over-enthusiasm following 1955 elections in Britain, recovery of German loans which turned out to be a less bad investment than many domestic flotations, effect of Suez upon Royal Dutch, and the sag in South African gold issues. Explains: the reasons and various ways U. S. concerns place investments abroad without recourse to stock dealings; the peculiar notions towards profits held by underdeveloped countries; the prospect of currency exchange depreciation wiping out profitable returns; American attitude toward foreign investment, and mechanics involved. Believes foreign investments should be done with fringe funds, and that arbitrage, wholesaling firms should limit themselves to foreign stock possessing certain natural advantages.

I intend to discuss foreign stocks and bonds. Let's define the subject to start with. I mean the stocks of foreign industrial companies and the bonds of foreign governments, municipalities, utility companies, and so forth.

The field — and I think that should be stressed right away—is not the most important in Wall Street in terms of the dollar amounts involved. In many respects, it is a field that is distinctly on the fringe area. But despite the relatively modest figures that go with it, it is something which has always attracted a good deal of attention. Yet it is fair to say that it is of considerable importance in terms of world economics and politics.

There was a time when the word "international financier" was practically a swear word in the English language. Now that many of the troubles that beset the foreign financial field in the 1930s are over — not forgotten, but at least are over—the status of investing abroad has taken a new lease on life. How long that lease on life will last depends on factors over which we have little control. The recent trouble in the Suez Canal is only the latest of many pitfalls and uncertainties over which the trader or investor in stocks and bonds of foreign countries has little control.

But aside from a few European countries, such as Switzerland — this country is the only one in the world today which has the capital and the financial wherewithal to invest abroad, has the excess of economic resources that, if it wants to put some of its resources abroad, at least it can afford to do so.

The traditional role played by the London market in this field is largely one of the past, for economic reasons, and the world is coming to look more and more to the United States to supply it with much-needed capital.

Historic U. S. A. Role

If I may, I'd like to look in the broadest of terms at the historic role that the United States has played in the international financial field in the last century and in the first years of this century which, after all, isn't a very long time ago.

*An address by Mr. Everitt before the Sixth Annual Forum on Finance, sponsored by American Stock Exchange, New York City.

America, as we all know,, was not so long ago a debtor country. Foreign capital was needed over here to develop the resources of the United States. London, Amsterdam, Germany and other countries came over here to invest what was then some of their excess funds over here.

The picture being what it is today, it's very hard to conceive that not so long ago a railroad, like the Illinois Central, when they wanted to raise new bond money, went to the firm of Baring Brothers in London and got the money from over there, because it just wasn't available on the same terms and in the same amount on Wall Street.

Even the U. S. Government was in the habit of taking some of its short-term maturities into the German bond market.

The most highly regarded investment banking firms of today found in many instances their origins in that period. The partners in those firms were people who had immigrated to the United States fairly recently, and by virtue of their old contacts with various foreign countries, they specialized in that field. A firm like Kuhn Loeb, 30, 40, 50 years ago was one of the leaders in the international financial community and in those days their international business was propably *the* most important, or certainly *a* very important part of their total business.

Other names of that time—other firms don't even exist any longer. I remember being told as a boy that the elite of New York in the investment banking field was a firm like Heidelbach, Ickleheimer, a firm that has ceased to exist.

Then came World War I and the economic balance between Europe and the United States reversed completely. By the 1920's it was exactly the other way around. Europe was coming to the United States looking for capital.

Perhaps it is important, in terms of what is happening today, to analyze what it was that made it so easy in the 1920's for foreign countries and foreign corporations to come over here and raise truly vast amounts of dollar capital. The country that excelled in selling itself in our market was Germany.

Flow of Capital to Germany

They first came here in the early 20's to float a number of government dollar bonds. Once the government had tapped the market successfully and found it was possible to raise large amounts, the municipalities followed, the states, individual cities —Hamburg, Frankfort, and so forth. And once the municipalities had taken a good bite, along came some of the leading German corporations.

First and foremost, of course, at that time Germany succeeded in presenting herself as an excellent credit risk. Probably personal ties with German immigrants living in the Midwest—all of these factors must have had psycnologically quite a lot to do with her success.

But, in addition, those days, in the 20's, were days when money over here was relatively cheap and there was plenty of capital to invest, and the terms offered by these German borrowers seemed extremely attractive — 6%, 7%, sometimes even a little more was something that seemed, for an apparently safe bond, well worth going for. Huge amounts of these bonds were placed with savings banks, commercial banks, and private individuals.

I think it's no sense that one should fool oneself; the investment banking community at that time was not particularly well-advised in the way it handled the transactions. They had a strong inducement to sell those bonds. The underwriting spreads and selling commissions they were getting were, by present-day standards, pretty staggering. It was not inconceivable that you might be able to make an 8-10% commission on some of the bonds.

As we know, this flurry by foreign governments over here did not last forever and hardly had the bonds been placed in the late 20's when the economic problems began, superimposed by political problems, and by the time World War II came along, many, if not all, of the bonds that had been placed less than 10 years before were in default and selling at substantial discounts, some eventually only at pennies on the dollar.

I think it is right to point out that it was generally not the individual borrowers at that time who'd gone into default. The Town of Hamburg and others were able to pay their debts, in German marks. The steel companies in the Ruhr were able to meet their obligations, and they had not been unconservative or gone too far. But the over-all German economy didn't have the dollars, or at least they didn't try very hard to find them. And once the Hitler business started, they tried even less hard.

German Compared to Domestic Bonds

But, again, I think one must see this episode in the right perspective. It wasn't only foreign governments and foreign borrowers who came over here and made errors. Any number of domestic utility and other issues made in those days went equally sour. And again, let's stick to the history of these German loans; today they are again money-good. Ultimately, many of these German bonds turned out to be a less bad investment than a good many domestic flotations.

In 1951, the German Government made a bond debt settlement. They started paying interest again, albeit on a lower scale. They were forgiven some of their back interest; some was funded. Maturities were extended. Loans like the German Dawes and Young issues are today selling again very close to par. Interest is being paid in dollars. And in fact, the German Government which has at the moment a substantial excess of dollars is repatriating its own external debt.

So one must see this in the right perspective and realize it wasn't only the foreign market that went sour; other securities went the same way as well.

Selling Out After World War II Interruption

World War II, of course, interrupted any flow of international investing. In 1945-56, when the war had ended, there was a large accumulation of various foreign securities, stocks and shares and bonds, on which American investors had been sitting all these war years, unable to sell them. And as soon as the war was over, regardless of price, they sold and took their losses. And that is really the second major phase of the American role in the international investment field.

The firms which were active at that time had quite different names. The Kuhn Loebs, and others, had lost interest in international finance and were much more concerned with the domestic market. But America being a country of immigrants, along had come a new generation of immigrants who were established in the financial business and again had relatively recent personal and business contacts abroad; and it was these firms, of which our own is one, which played an important role in repatriating to their countries of origin a large amount of these foreign investments which were being sold by disappointed investors.

Bond Recovery With European Revival

As happens so often, they sold at the worst of moments because it wasn't to be so very long before people regained their confidence in Europe, and many of the securities that were sold tripled and quadrupled in value within a matter of a few years. And that, I think, is really the third phase, the phase that we are concerned with today.

Around 1950-1951, people who had been on travel in Europe began to sense that the tide was turning over there and that possibly there was a very good chance for Europe to take a major recovery wave, as indeed it did. Marshall aid, as we know, played an enormously important part, and the various successor agencies to the Marshall program.

And at that time, firms like ours sent people over to England, to Holland, and various other European countries, and started to study the major European stocks again.

More Attractive Investment

Today's business in foreign securities is almost exclusively, I would say, in the common stocks of leading international corporations, rather than in bonds. Around 1951, we were able to present what turned out to be a sound and convincing case in favor of various international securities. We could point out that many of the leading international companies were selling on yields and at price-earnings ratios which were attractive, by comparison with companies of similar stature over here.

Today we are in the midst of finding Americans taking more and more interest in foreign equities.

We argued that Europe had a lower standard of living than the United States, but there were good and valid reasons for thinking there was a catching-up process ahead, and that the investor in stocks likely to benefit from this whole wave stood a good chance of making a worthwhile profit. And it's turned out that way.

Of course, there has been a big bull market on Wall Street at the same time, but beyond any doubt, many of these leading foreign stocks, percentagewise, have had even larger gains than some of our pretty spectacular appreciations over here.

Let's look at the major groups in which the American public became interested.

Areas of U.S. Foreign Investments

First and foremost, there was the natural resources field, and a good case can be made out for investing abroad in natural resources. If nature has put copper, some of the richest copper, into Rhodesia, instead of putting it into Texas, where by rights it belongs, there is a good case to be made out for arguing that you should buy some of the shares in a Rhodesian copper company, providing you're willing to take the added risks. And indeed, that is one of the most active fields in which American international investment is participating.

The oil companies were another group, and at that time, in 1951, and indeed, still today, we were able to show that if you bought shares in a company like Royal Dutch, which is a company domiciled in Holland, you were in effect investing in something almost as large as Standard Oil of New Jersey. The foreign risks, and foreign opportunities, were geographically spread over much the same area and in much the same balance, as for Standard Jersey yet the latter was and is selling at a substantially higher ratio in relation to the oil reserves, earnings, and dividends.

It was this one particular stock, Royal Dutch, which paved the way for the renewed international equity investment interest on the part of the American financial community.

Other companies followed suit. Take—again a Dutch company—the Unilever Company, which is the parent company of Lever Brothers over here, a sound, old, established, non-speculative corporation which has ramifications and subsidiaries all over the world and makes its living out of selling household necessities.

It is in many ways similar to Procter & Gamble, and if you looked at the balance sheet, earnings and assets, you could see you were getting a similar type of business at a much more attractive price. And again we felt it was right to argue that if the standard of living in a country like India goes up, the first thing they'll do is spend a little more money on margarine. Countries where the butter standard of living is 'way off, where hardly the margarine standard of living has been attained, are more fertile expansion ground than the U. S. A.

Again, this is something which to date has turned out pretty well.

South African Gold Issues Down

Perhaps the only group which had long been in investment portfolios over here but has sagged increasingly are gold mining stocks in South Africa. Gold is no longer fashionable. The price is fixed, the costs are rising. There are in addition, political problems in South Africa. So what was once upon a time the bread-and-butter business of the foreign financial community here has been very much a one-way street, with the stocks drifting back into South Africa and London at declining prices.

It wasn't too long before certain excesses began to rear their head. Certain people began to "catch on" to the idea that foreign stocks were much in demand, and more and more firms climbed on the "bandwagon," and some of their later ideas were less happy.

For instance, last year, in 1955, there had just been a general election in England; the Conservatives were returned with an increased majority. Suddenly "England became the country of the future." Well, that was obviously overdoing it. Any number of American investors were induced to buy stocks, such as Imperial Chemical Industries, and so forth, all securities which are as sound as sound could be at a price. But as events in the past 12 months have showed, the price that was being paid at the peak of this rather feverish speculative wave was too high, and people

Continued on page 30

$25 Million Bonds of N.J. Highway Authority To Be Sold on Oct. 18

Proceeds to be used on behalf of Garden State Parkway

The New Jersey Highway Authority announced Oct. 10 that it would offer $25,000,000 revenue bonds maturing January, 1988 for public sale on Oct. 18. Authority Treasurer, Sylvester C. Smith, Jr., said that Lehman Brothers, who is acting as financial advisor to the Authority has concurred in this decision.

The proceeds of this issue will finance the cost of a 9½-mile Garden State Parkway connection with the New York State Thruway at Spring Valley, N. Y., and also retire some temporary indebtedness now outstanding.

Commissioner Smith said the Parkway-Thruway connection is expected to be open by July, 1957.

About 85% of the construction cost for the Parkway's section is now under contract and the Authority has secured possession of all of the right-of-way needed.

Total operating revenue of the entire Parkway for the nine months period ending Sept. 30, 1956 was $10,046,219 and net revenues for this period amounted to $8,442,058. Earnings for this year show a material increase over those of last year.

Bids on the revenue bonds will be received by the Authority until 11:00 a.m. (EDST) at Room No. 128 in the State House at Trenton, New Jersey, on Oct. 18.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, Fla.—William J. Bobek has joined the staff of King Merritt & Co., Inc., 24 Julia Street.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Frank W. McGann has been added to the staff of King Merritt & Company, Inc., Chamber of Commerce Building.

With Dewey, King

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Manley J. Goodspeed, Jr. and James H. Matthews are now with Dewey, King & Johnson, 1016 Baltimore Avenue.

Joins M. H. Bishop

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Joseph A. Boyer has become connected with M. H. Bishop & Co., Northwestern Bank Building.

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. 21)—Comments on the U. S. Navy's billion dollar atomic propulsion program including a tabulation showing the companies now working on the Atomic Aircraft Propulsion program. Also available Atomic Fund's annual report illustrating atomic industry by means of color photos—Atomic Development Mutual Fund, Inc., Dept. C, 1033 Thirtieth St., N. W., Washington 7, D. C.

Burnham View — Monthly investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y.

Business Activity—Review—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a memorandum on **Standard Oil of Indiana** and an analysis of **Western Natural Gas Company.**

California Business Conditions — Summary — Security First National Bank, Box 2097 Terminal Annex, Los Angeles 54, Calif.

Electronics — Analytical brochure — Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

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

New York City Bank Stocks—Third quarterly comparison of 13 New York City Bank Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

Pay-Out Ratios—Analysis of dividend payments—in current issue of "The Exchange"—10 cents per copy, $1 per year—"The Exchange," 11 Wall Street, New York 5, 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.

Railroads—Analysis—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Raw Sugar Supplies — Bulletin — Lamborn & Company, 99 Wall Street, New York 5, N. Y.

The Woman & Her Money—Mutual fund bulletin—Sidney S. Ross Company, 3070 Hull Avenue, New York 67, N. Y.

* * *

American Cyanamid Co. — Analysis — Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is the current Market Review, and reports on **Marchant Calculator, Inc., Fansteel Metallurgical Corp., McGregor-Doniger, Inc.**

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

American-Marietta Company—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are bulletins on **Baltimore & Ohio Railroad, Roadbuilding Machinery, Koppers Co., Natural Gas Stocks** and **Mack Truck.**

British Columbia Power Corporation, Ltd.—Analysis—McLeod, Young, Weir & Company, Ltd., 50 King Street, West, Toronto, Ont., Canada.

Cummins Engine Co.—Memorandum—A. G. Becker & Co., Incorporated, 120 South La Salle Street, Chicago 3, Ill.

Douglas & Lomason—Report—General Investing Corporation, 80 Wall Street, New York 5, N. Y.

Farmers New World Life Insurance Company—Report—Pacific Northwest Company, Exchange Building, Seattle 4, Wash.

King Bros. Productions, Inc.—Memorandum—Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

Lakey Foundry Corp.—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Ling Electric Inc. — Analysis — Perkins & Company, Inc., Adolphus Tower, Dallas 2, Texas.

Louisville Title Company — Bulletin — Bankers Bond Co., Kentucky Home Life Building, Louisville 2, Ky.

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

McGregor-Doniger Corp.—Memorandum—White & Company, Mississippi Valley Building, St. Louis 1, Mo.

National Malleable & Steel Castings—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

National-U. S. Radiator Corporation — Booklet — D. M. S. Hegarty & Associates, Inc., 39 Broadway, New York 6, N. Y.

Pan American Sulphur Company — Card memorandum — Scherck, Richter Company, 320 North Fourth Street, St. Louis 2, Mo.

Shulton, Inc.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Summit Mining Corporation—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Towmotor Corp.—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Travelers Insurance Company—Analysis—First Boston Corporation, 100 Broadway, New York 5, N. Y.

United States Life Insurance Company of New York—Analysis of price potentiality—Sanford & Company, Russ Building, San Francisco 4, Calif.

Waste King Corporation—Analysis—Walker's Weekly Newsletter, 333 Kearny Street, San Francisco 8, Calif.

West Virginia Water Service Company — Analysis — Winslow, Cohu & Stetson, 26 Broadway, New York 4, N. Y.

Forces Affecting Investment Funds

Accounting for the pressure on interest rates, Dr. Bogen shows institutional savings hardly rose this year compared to last year, and Federal Reserve refuses to countenance further commercial bank loan and investment financing. Continued plant and equipment spending for some time to come is attributed to a variety of major factors.

The trend of interest rates will continue upward and loanable funds will remain scarce so long as capital expenditures of business are sustained at current levels and the Federal Reserve System resists rapid expansion of the money supply, Dr. Jules I. Bogen, Professor of Finance at New York University, told the Investment Seminar conducted by the New York State Bankers Association and the Graduate School of Business Administration of New York University at the Hotel Commodore, Sept. 28.

Dr. Jules I. Bogen

"Business spending on plant and equipment," Dr. Bogen said, "is registering an increase from $28.7 billion in 1955 to an annual rate of $38 billion in the final quarter of this year. This factor is the chief reason for current powerful upward pressure on all interest rates and the credit stringency that confronts the country today.

"Institutional savings show little increase over last year. Therefore, only an expansion of loans and investments by commercial banks on a large scale could bring the supply of loanable funds into balance with this greatly expanded demand.

"The Federal Reserve authorities have made abundantly clear that they have no intention of counteracting such an expansion of bank assets and the nation's money supply so long as the economy operates close to capacity, since price and wage inflation would be the chief results."

Analyzing the causes of this year's great bulge in plant and equipment spending by corporations, Dr. Bogen stated that the reasons are very strong and deep-seated so that the trend could continue for some time to come. Seven major factors that swell the volume of such spending, he said, are:

(1) The growing tendency to plan corporate capital expenditures for a number of years ahead, and prevailing optimism about the longer-range future of the American economy.

(2) Rising wage costs, which put a premium on outlays for labor-saving machinery.

(3) Technological advances, that make new equipment far more efficient than older machines.

(4) The rising trend of prices and wages, dramatized by the steel wage pact, which encourages acceleration of such spending to anticipate higher future costs for the same assets.

(5) Liberalized depreciation and amortization allowances.

(6) Wider recognition of the low cost of borrowed capital, after taxes, when related to the added earnings that new plant and equipment provide.

(7) Mounting competitive pressures that make managements fearful of postponing modernization and expansion of capacity.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc., and associates are offering today (Oct. 11) $9,600,000 of Southern Pacific Co. 4% equipment trust certificates, series VV, maturing annually Nov. 1, 1957 to 1971 inclusive.

The certificates are priced to yield from 3.80% to 4.00% in maturities 1960 through 1966—and from 1967 through 1971—to yield 3.95%. Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by the following equipment estimated to cost not less than $12,800,000: 24 Diesel switching locomotive units; 21 Diesel freight locomotive units; 405 open top selective hopper cars; 38 trailer flat cars, and 237 double door box cars.

Associates in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; L. F. Rothschild & Co.; Baxter, Williams & Co.; Shearson, Hammill & Co.; Freeman & Co.; Gregory & Sons; The Illinois Co. Inc.; Wm. E. Pollock & Co., Inc.; McMaster Hutchinson & Co.; and Mullaney, Wells & Co.

Weston Adds Two

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—John G. Finch and Willard H. Lea have been added to the staff of Daniel D. Weston & Co., 9235 Wilshire Boulevard.

Hill Richards Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Robert C. Swain has joined the staff of Hill Richards & Co., 490 East Walnut Street.

Geo. Stewart Admits

Robert Batkin on Oct. 11 becomes a partner in George Stewart & Co., 29 West 34th Street, members of the New York Stock Exchange.

Miller & George Partner

PROVIDENCE, R. I.—Henry D. Phelps was admitted to partnership in Miller & George, Hospital Trust Building, on Oct. 1.

Lithium—Metal for Missiles

By IRA U. COBLEIGH
Enterprise Economist

A swift look at some leading producers; an outline of exciting new uses for this fashionable factor in the fission age; and an appraisal of the world's largest known lithium ore body.

In this age of guided missiles and misguided Moslems, we have developed some magic minerals—uranium, thorium, titanium, columbium and lithium—and of these the one that seems now to be gaining the greatest muzzle velocity is lithium. So as the British say, "we'll have a go at it" today.


Ira U. Cobleigh

Although the stuff has been around for millions of years, nobody got "hep" to lithium until Johan August Arfvedson discovered it in Stockholm, in 1817, and, with a minimum of imagination, dubbed it "lithium"; which happens to be the Greek word for stone. This turns out to be somewhat of a misnomer, however, since stones are heavy, while lithium is the lightest known element, weighing only a fifth as much as aluminum.

Having identified lithium 129 years ago, our laboratory lads were pretty slow in finding uses for it. It first found its way into patent medicines around 1900, when lithium waters were offered as a panacea (and a real dubious one) for an assortment of diseases. Then, later, Thomas A. Edison, found that a compound, lithium hydroxide, came in handy in heavy duty electric storage batteries; and it's still used in such to propel mine railway engines and electric trucks. Then somebody learned that some lithium compounds were quite unaffected by water or extremes of heat and cold. As a result, lithium based greases were tried out and today over 30 American oil companies sell lithium based greases which perform with equal efficiency 50 degrees below zero or 300 degrees above. Over 20% of all petroleum greases now produced contain lithium.

In porcelain ceramics, lithium reduces oven temperature and time. Lithium bromides and chlorides are important in air conditioning. Your doctor may prescribe antihistamines and vitamins stemming from lithium; and copper and some aluminum and magnesium alloys depend on the purifying quality of lithium.

These are the known expanding and publicized uses of lithium; and they may well account for some 80% of all lithium presently mined and processed. But lithium does not stop there. Far from it. In classified uses, which must of necessity remain top-secret, lithium is believed to have vitally strategic applications in atom bombs, H bombs, missiles and rockets. And, as we well know, upon such awesome projectiles as those depend the security of America and the peace of the world. We simply must get, and stay, ahead of unfriendly nations in these technologies; and lithium is helping us to do it. (Incidentally, among peaceful applications, lithium has already demonstrated its use in "hotting up" atomic reactors, and thus substantially increasing their potential for power generation).

But let's go back to those strategic uses because they're so important to our country, and so significant in the dynamic expansion of the lithium industry. In fission reactions (atomic explosions) lithium 7 can be joined with a proton. Then what happens? The lithium 7 splits into 2 helium nuclei and releases (weight for weight), 3 times as much energy as is released by uranium 235.

Then what about fusion? (That's the hydrogen bomb.) Where does lithium fit in there? Well, lithium 6 (an isotope) combines with tritium to give 2 helium nuclei and a free neutron; and creates an energy factor in fusion 14 times more powerful than uranium (applied to the same task). So whether it's fission or fusion, lithium is in there pitching (not as a replacement for uranium but a powerful supplement to it). Now to get the picture clearer, in nature, ordinary lithium consists of about 92½% lithium isotope 7 and 7½% lithium isotope 6. They're both there; and both fantastically important in our defense of peace on earth.

But while our total security may rest on these broadside instruments of mayhem, we have to deliver them on target. Well, how will we do it? We have our long-range bomb-toting planes, the B-47 and the B-52 (recently grounded for technical reasons). But increasingly, we're going to rely on unmanned missiles—tactical up to 500/1,000 miles and strategic up to 3,500 miles. What makes these run? Fuel, of course, but of two kinds presently—solid and liquid. These fuels can't weigh a lot (as would a tankful of petrol) or the rocket or missile would either never get off the ground, or wobble clumsily and bulkily through the early phases of flight. Leading experts now seem to prefer liquid fuels—and here lithium enters again. Lithium hydride+Boron trifluoride=lithium boro hydride, a light weight compound from which a superpowered fluid for missiles may be derived; missiles that today carry war heads, in the future, may be propelled intercontinentally to deliver mail and freight. And before starting they'll "fill 'er up" with a lithium base liquid.

If lithium is so significant and will perform such dynamic functions in the next decade, where do we get the stuff and why aren't we turning out mountains of it now? Well, lithium is actually found all over the earth's crust; but we can't just dig down for it anywhere because, for the most part, (1) the ore is of too poor grade for commercial extraction or (2) it's too far away from civilization to be economical due to prohibitive transportation costs. Thus, the intensive search (especially in the past five years) has been for rich lithium ore bodies preferably not lurking in Antarctica or the upper Amazon. Some excellent and favorably located lithium deposits have, in fact, been found. The salt brines of Searles Lake, Calif., are a good source; spodumene around Kings Mountain, North Carolina and from the Black Hills of South Dakota is found on a large scale; lepidolite in South Rhodesia is an important supplier; and in recent years, Canada has come forward with new and unusually rich deposits. These, in the main, have centered around Val d'Or in Quebec, Cat Lake, Manitoba and most recently at Yellow Knife, Northwest Territory, Canada.

Now while all of these are in a location, and of a quality, to be commercially desirable, some deposits are of far greater potential value than others; and they are judged by the number of pounds of Li_2O (lithium oxide) which a ton of raw ore can furnish. In the U. S., average ores run 1% to 1.5% and in Canada generally of the same order. But some of the recent samplings at Yellowknife indicate ore containing at least 2% to 4% Li_2O. This is a fabulously rich grade.

From the viewpoint of the investor, you are bound to ask (1) who are the present producers of lithium, (2) are they making any money and (3) are there some likely newcomers on the horizon? We'll take these up, one at a time. Lithium Corporation of America, Inc. is the largest at present, producing currently in excess of 10,000,000 pounds of lithium carbonate annually. Net sales here have expanded from $247,000 in 1946 to almost $6,000,000 for 1955. Earnings have been improving, moving from 28c a share in 1953 to an estimated $1.50 to $2 for 1956. Biggest swing in the stock was from 6 to 33½ in 1954. Present price 35. Indicated ore reserves are placed at in excess of 10,000,000 tons in the U. S. plus another 8 to 10 million in Quebec Lithium with which company Lithium Corp. has a long-term contract for ore concentrates.

Somewhat smaller is Foote Mineral Company whose stock also rose dramatically between 1949 and 1955, propelled by a 100% and a 300% stock dividend plus a 3-1 split in 1954. Foote's ore reserves (Kings Mountain) are in the order of 10,000,000 tons and its mill can turn out 8 to 10 million pounds of lithium hydride per annum.

Other important lithium companies would include American Potash and Chemical Corp. and Maywood Chemical Corp.

Considerable excitement in the industry was aroused recently with the announcement of the formation of Minerals, Incorporated which has now merged the ore properties of General Lithium Corporation, Geolex Exploration and Development Corporation and large acreages of its own in the Yellowknife area. Altogether these mineral holdings are believed to contain well over 100 million tons of ore, giving Minerals, Inc. undoubtedly the largest lithium ore reserves in the entire world. And the indicated grade is easily twice as rich as other known and proven North American reserves.

Plans are immediately going forth to finance this company. Mr. Percy E. Landolt, Consulting Engineer, has been retained by the company. He is a renowned chemical engineer (Columbia) and for some 25 years recognized throughout the world as an outstanding expert on lithium. Mr. Landolt was one of the founders and a director of Lithium Corp. of America, Inc. Mr. R. C. Bacon, formerly an engineering executive with Ventures Ltd., is President. Minerals Inc. expects to extract lithium ore by open pit methods at around $1 a ton. Low cost extraction techniques are being developed, and milling under a new system may reduce substantially the cost of reduction of ores to finished products. Minerals, Inc. also has acquired 10 concessions (4,000 acres) in the Chavin district of Peru, believed to be rich in lead, zinc, copper and silver. Early shareholders in the present lithium producing companies came out handsomely and the common stock of Minerals, Inc. with its fabulous lithium ore body (plus its Chavin mine in Peru), and top drawer management, may turn out to be a most interesting speculation in this surging strategic element, lithium.

Whether viewed from industrial uses in peace, or urgent applications for war, lithium is roaring ahead, and like many another mineral in its early stage, it has only a price barrier to hurdle. Lithium carbonate today sells for 80c a pound. Mr. Landolt and other experts feel that if the price, by efficient production from richer ore, could be brought down to 50c, demand could multiply greatly. Viva la lithium!

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—J. Robert Barrett has joined the staff of Bache & Co., Dixie Terminal Building.

Pohl Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—William P. Conners has become connected with Pohl & Company, Inc., Dixie Terminal Building.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — James Pappadimas is now with Hamilton Management Corporation.

Britain and the International Economic Outlook

By THE RT. HON. HAROLD MACMILLAN*
Chancellor of the Exchequer, U. K.

Britain's fiscal chief cites the contrast between immediate postwar fears of unemployment and deflation; and the subsequent concern over inflation accompanying economic progress. States that in framework of governmental pledges for full employment and high activity, we need additional and more selective methods for controlling boom. Emphasizing responsibilities of international creditors, commends cooperation and enormous flow of aid from the United States. Reports his country's liberalization policies, including measures to increase intra-European trade volume.

In the United Kingdom, as indeed in most of the industrial countries, we were worried immediately after the war with fears of deflation and unemployment. By contrast, what we have had to deal with all the time has been the problem of securing economic progress without inflation. Again, when the war ended we were much concerned how the surplus productive resources created by the war were going to be harnessed to peacetime uses.


Hon. H. Macmillan

But instead of the disarmament we all expected, we have had to meet a heavy burden of defense, and no surplus resources have emerged. Ten years ago our chief anxiety in external matters was the dollar gap. In the last few years we have been thinking in terms of earning our share of the dollar surplus—a surplus which was certainly not expected and has been maintained by generosity rather than trade.

However much, some of our expectations may have been falsified, no one, I imagine, would dispute that it was recognized then and remains true today that the proper functioning of the International Monetary Fund requires that all members should follow sound internal policies. By this I mean that the available economic resources of each member country should be fully deployed without greater demands being made on the resources than can reasonably be met. We all have to steer our course between the twin monsters, inflation and deflation; it calls for courage from the helmsman and sometimes he needs to stop his ears against the blandishments of Sirens.

The International Inflation Threat

During the past few years, inflation has been the threat to economic and political stability and to international trade and cooperation. Certainly in the United Kingdom our problem has been to prevent excessive demands on our resources. I think I may fairly claim that our recent efforts have not gone unrewarded. The rise in consumer prices in the past six months has been only 2%—and this despite a radical improvement in our balance of payments which has converted an annual deficit of about £100 million for 1955 into a surplus of well over £100 million for the first half of 1956. At the same time we have gained much useful experience of the efficacy of the various counter-inflationary measures we have taken in the past two years.

The Fund's current report mentions the importance of monetary policy as a weapon for attacking inflation. This is undeniable. But we have learned—as have others—that, by itself, and even if accompanied by high taxation and Budget surpluses, monetary policy may not be able to deal with all the problems of a buoyant economy.

Many countries in the last year or so have had experience of the impact of monetary discipline—generally toward dearer money. We could learn much from each other and consider whether there is not here a whole area of new problems. In brief, do we need additional—and perhaps more selective—methods to control a boom? For we must remember that governments today are pledged—and rightly so—to policies of full employment and a high level of economic activity. They cannot therefore push their fiscal and monetary policies to the point of outright deflation.

Stability and economic expansion therefore can be insured only if neither wages and salaries on the one hand nor distributed profits on the other take too large a share of production. Unless demands for increased incomes are limited to something less than the increase in productivity, there are no resources left to meet other demands—for more investment, or to increase financial reserves. This point becomes especially important at a time when increased personal spending competes for the same resources as those required by exports and by capital goods.

Britain's Discriminating Measures

This is what happened in Britain last year, and it explains why both my predecessor Mr. Butler and I have had to supplement general monetary and fiscal policies with more discriminating measures, notably the control of hire purchase, especially in the field of what are called consumer durables.

I have already observed that the proper functioning of the Fund can only be insured if member countries have healthy economies. I might have added that in achieving healthy economies they must have continuous regard to the impact of their policies on other members. For, if there is one economic lesson we have learned in the past quarter of a century, it is, if I may adapt the epigram, that prosperity is indivisible.

If Fund members' policies are to strengthen their economies at the expense of their neighbors, problems will arise. Just as members having balance of payments deficits should take the necessary steps to correct the payment disequilibrium, so those in strong creditor positions should frame their external policies having regard to the effect of their strength on other, weaker, members.

Creditors' Responsibilities

Creditors have responsibilities as well as debtors; and must be prepared to take steps to offset a persistent tendency to balance of payments surplus. In this connection, I wish to commend the way the United States has mitigated since the war the adverse effects on other members of the world dollar shortage. The most striking and, indeed, most important contribution by the United States to the solution of this problem has, of course, been the enormous flow of aid to the rest of the world.

Dollars Supplied by U. S.

No less than one-quarter of the supply of dollars made available to the rest of the world since 1950 has been provided by the U. S. Government. Without this aid it is hardly an exaggeration to say that there could have been virtually no progress toward a system of freer trade and payment, and, indeed, the whole apparatus of financial co-operation might well have come to nothing. We acknowledge, too, the U. S. Administration's efforts to promote liberal trade policies. We could perhaps wish that more progress had been made in this direction. Nevertheless we are not unmindful of what has been done to facilitate the import of goods into the United States from the rest of the world. In the past 12 months there have been some important tariff reductions, and a valuable contribution to the simplification of customs procedures.

During the last few years we have experienced in Europe the emergence of a new pattern of creditor and debtor positions. At the last meeting of the Council of Ministers of the Organization for European Economic Co-Operation, it was decided to set up a Working Party to examine the dangers of the widening of the debtor and creditor positions in the European Payments Union. When this examination has been completed, it should enable appropriate action, both joint and individual, to be taken at the right moment, so as to reduce the effect of these dangers.

Liberalization Plans

Our general policy remains unchanged, and we shall continue to take such steps as we can from time to time to liberalize our arrangements for trade and payments. I would particularly like to refer to the recent measures taken by the United Kingdom to increase the volume of intra-European trade which has been freed from all restriction. In his statement last year my predecessor Mr. Butler expressed the hope that staff discussions might take place between the Fund and O. E. E. C. During the past 12 months certain discussions have in fact taken place, and I trust that the foundation has now been laid for close co-operation between the I. M. F. and the European Fund when the latter comes into existence.

*Excerpt from statement by Mr. Macmillan, Governor for the United Kingdom, at the Fund Annual Report discussion, Washington, D. C., Sept. 26, 1956.

Eastman Dillon Branch In Los Angeles

LOS ANGELES, Cal.—In wake of California's "tremendous" industrial and population gains, the state now ranks as the country's third largest investment center, ranking behind New York and Chicago, according to Lloyd S. Gilmour, senior partner of Eastman Dillon, Union Securities & Co., who said this growth factor influenced the establishment of a key office in Los Angeles by his firm.

The Los Angeles office of Eastman Dillon, Union Securities & Co., was formally opened Oct. 10 and will be complete with trading, statistical, investment and underwriting departments and linked with the firm's 15 other key offices throughout the country by a 4,000-mile private wire network.

Joins Dean Witter Co.

SACRAMENTO, Calif.—Robert W. Witter has joined the staff of Dean Witter & Co., 924 J Street.

From Washington Ahead of the News

By CARLISLE BARGERON

You get the impression from Adlai Stevenson's speech before the Yale University faculty that he is not too happy as a Presidential candidate. The things he has to do, the things he has to say, the things he has to promise. They are not in his nature. He feels an inner disgust that he has to say or do, or so he has been told, these things.


Carlisle Bargeron

Quite an issue was made against him in the primary campaign on his gentlemanness and, therefore, his inability to make a knockdown and drag-out fight. He has taken this criticism seriously.

Not of the same mould as Stevenson by any means, Truman, however, is a very decent sort of a fellow. The first few months he was in the White House he was deeply impressed with the responsibility that had been thrust upon him and in these months the conservatives were both surprised and happy. Then Truman's political mentor, the man who had steered him to the Vice-Presidency, Bob Hannegan, did some serious talking to him. He argued that the conservatives would continue to applaud him but they would vote against him when the time came around. The only way for a Democrat to remain in office, Hannegan contended, was to tie up with the labor leaders, the minority groups; in short, to keep the rabble aroused. This Truman set out to do and he did it very successfully. Naturally he thinks he pursued the right course inasmuch as he won in 1948.

Stevenson has been convinced that he must do the same thing.

Undoubtedly he thinks that he will change once he is elected. He is following the old adage that you can't be a statesman without first being elected. But he is as wrong as he can be if he thinks he can shake loose from the crowd around him. And they are about as motley a group as one can possibly conceive.

Most Washington observers agree that perhaps the most influential man around him will be Walter Reuther, the labor leader, who has an insatiable thirst for power. Reuther is certainly the spark plug of his campaign. He is already the political dictator of Michigan where his handpicked G. Mennen Williams has been elected Governor for three successive terms. He is making an audacious bid to take over Indiana this year.

In fact, the CIO wing of the labor movement is making its boldest bid for power this year since it tried to knock off Bob Taft in Ohio in 1950. With contributions from all around the country, Taft gave them a sound thrashing.

This labor crowd is moving more quietly this year. One thing they learned in the Ohio campaign was that it didn't pay to brag. That year they announced loudly and widely they were going to take Taft out of public life.

This year they are inclined to play down their activities, to say they are hardly doing anything more than acquainting their members with the voting records of the candidates. The facts are they are in the campaign up to their necks. It is my conviction that if Stevenson should win we will have a labor government—a Walter Reuther labor government at that.

Stevenson has the surprise of his life coming if he thinks he can shake this man off his back. The plain facts are that Stevenson will be about as captive as any man we have ever had in the White House.

LETTER TO THE EDITOR:

Reader Decries Debt Monetization

Writing from Maine, Mr. Spitz disagrees with contention that the United States is on a gold standard. Dislikes practice of monetizing public debt, but commends all those willing to discuss the money situation, "which some outstanding economists choose to ignore."

Editor, Commercial and Financial Chronicle:

It is interesting to note the views of Dr. Ernest R. Gutmann under the heading, "Gold Convertibility Is Opposed," dateline Sept. 13, 1956, and his assertion that the United States is still on the "gold standard."

It would seem to logically follow that if this country is still on the "gold standard" the matter of "gold convertibility" would be axiomatic.

Claims Gutmann Errs

As I understand the views of Dr. Gutmann, it would seem that the American dollar is still on "some gold" and an overpowering debt that has been monetized and placed in the monetary blood stream with all the characteristic inflationary implications that would make payment in gold more desirable than the monetized promises to pay the debt that has been monetized.

I suppose I am a bit old-fashioned to refer to the old moralizing that "All that glitters is not gold" and not infantile enough to accept Keynes and his cohorts that we can monetize the national debt and never have to repay it, for we "owe it to ourselves!"

After all, gold is not dross and dross is not gold. At least Dr. Gutmann is entitled to every commendation even if his views are not accepted, for he has the courage to discuss the monetary situation, which some outstanding economists choose to ignore. Moreover, Dr. Gutmann does state, "there is no such thing as "Inflation Without Tears."

RICHARD SPITZ

Fortune's Rocks,
Biddeford, Maine,
Oct. 9, 1956.

Joins F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Lewis F. Jensen has joined the staff of Francis I. du Pont & Co., 1200 J Street.

1957: Another Good Year

By FRED GOWEN*
Partner, MacKay-Shields Associates, Economic Consultants, New York City

Economic Consultant Gowen surmises that the current third postwar economic test "has been and will be successfully met and that 1957 will be another excellent year for business." Provides record-breaking data estimates for GNP, production, housing starts and construction dollar value. Describes the forces and economic climate expected to influence the course of higher business levels, and declares replacement of gold standard with full employment standard is reflected in Federal Reserve's inability to restrain inflation and continuation of government influence over business.

The year 1957 is shaping up as another good year for U. S. business. Gross National Product which should reach $405 billion this year will probably show a rise of 4% in 1957 to reach another new record high of $424 billion. Disposable Income also should rise about 4% to reach a record figure of $296 billion. The Federal Reserve Index of Industrial Production which will average close to 141 this year should reach 145 next year.


Fred Gowen

As to construction, housing starts which declined to 1,100,000 units this year should register a rise to 1,150,000 or 1,200,000 in 1957. Total dollar value of all construction is headed toward still another new high of roughly $47.3 billion—up 6.3% in the year.

Three Postwar Testing Periods

Our economy in the postwar period has faced three testing periods—two were surmounted with relative ease, the third is with us at this particular moment and a final judgment is not yet possible:

(1) The first test was 1949—a period of mild inventory liquidation and readjustment in almost every industry except construction and automobiles which forged ahead because they were still making up the deficiencies created during World War II. This type of support will obviously be lacking in any future business downturn because, for practical purposes, the demands postponed during the war have now all been met.

(2) The second test was 1954, again a period of inventory liquidation complicated by a sharp cutback in government spending following the termination of a shooting war in Korea. The 1954 business ordeal was also successfully overcome because (1) a high degree of business confidence prevailed, (2) consumer spending power was maintained by means of a judicious tax cut (at the expense of the balanced budget goal of the Eisenhower Administration) and (3) an easy money policy on the part of the Federal Reserve authorities proved to be highly stimulating, especially to residential building.

(3) Although we are today in the midst of the greatest prosperity ever witnessed in the U. S. A., we are in several respects experiencing a third postwar test of the business structure.

In January 1956 virtually every responsible businessman and economist was of the opinion at that time that:

(a) in 1956 the production of passenger automobiles would go down

(b) in 1956 the number of new housing starts would go down and

(c) the year would be characterized as a period of tight money since the Federal Reserve authorities had begun to follow a policy of restraint and credit demands during the year were obviously going to be enormous.

Recovery in Spite of Slump in Autos and Housing

As the year progressed the slump in automobiles was worse than anyone had anticipated and the drop in housing starts was sharper than most of the experts had figured on. The money market became infinitely tighter than even the direst forecasts had predicted. The combination of these three trends in any prewar period would have induced a general business slump.

In 1956, the test of these three powerful influences has not produced a general business slump. On the contrary, the year is witnessing new peaks in industrial production, employment, payrolls, total new construction, consumer income and Gross National Product. It appears that our economy has grown so enormously that it can withstand downturns in individual industries without upsetting the whole applecart.

Now we are in the process of experiencing a third postwar test. The fact that 1956 will be a record breaking year indicates that we have surmounted successfully these various obstacles but, unfortunately, on one can be sure of the ultimate results of the money stringency in which we now find ourselves. The final verdict, therefore, must probably be postponed, but there is good reason for believing that this third test has been and will be successfully met and that 1957 will be another excellent year for business.

Influencing Economic Forces

What are the forces or what is the climate that has permitted business to forge ahead to levels which were hardly even dreamed of at V-J Day and to overcome the various tests?

(1) **The Population Factor**—Since 1940 we have added 36 million people to our population. Between 1940 and 1950 the increase was 15% against 7% in the ten years ending in 1940. Between 1950 and 1960 the minimum expectation is an increase of 11%, bringing the total close to the 180 million mark. The major influence in population growth is the number of new births and these have been holding around the four million per annum level in recent years. No change is indicated despite a decrease in the number of women in the childbearing age brackets — the reason being the sharp gain in 2nd, 3rd, and 4th or more children to the same mother. The population waves of the future, which will reflect the upturn in births that got underway in 1940, are predictable, undeniable and a potent future business force.

(2) **Upgrading of Incomes**—In terms of demand for goods the upgrading of consumer income levels has exerted a compounding influence on the bare statistics of population growth. At present 23 million families have incomes of $5,000 or above and represent 44% of the total. The number of such families is increasing by one to two million per year.

(3) **Wage Inflation** — This is perhaps the outstanding characteristic of our recent business history or climate. Wages in manufacturing have risen every year since 1933, and with particular speed since 1940. From 1940 to 1950 the average annual rate of increase was 7.3%. During the past six years the average increase has been 5.4%. There is no indication whatsoever of any reversal in this trend—especially in view of the long range wage contracts negotiated by many of our largest industries, which have the effect of setting the pace for everybody.

Pensions Bring No Labor Statesmanship

The problem is further complicated by competitive pressures among the unions, each trying to outdo the other. Labor statemanship which would recognize the value of a stable dollar for the preservation of pension rights, for example, seems only a remote possibility. Under present conditions at least a fatter current pay envelope apparently is much more attractive.

The result of wage inflation is that prices must go up. Using 1947-49 as a base, wage payments are up about 50% and labor productivity about 27%. Either prices must go up to the extent that wage increases outrun productivity or profits and profit ratios must do down. Actually, both these trends are evident.

Commodity prices were deceptively stable in the published indexes between 1952 and 1955 because farm products prices were down, but the wholesale price level has moved up about 4.5% from the summer of 1955 to the present time and in recent months consumer prices have been advancing and are now at an all-time high. Thus, ultimately the pressure of constantly rising wage rates does make itself felt in the price level. This will continue to be true.

(4) **Profits Squeeze** — While business has been faced with rising wages and costs of all kinds, it has at the same time been spending vast sums of money for new production facilities. In many cases these expenditures have been made to combat rising costs through more efficient production. But, in all cases, these expenditures result in larger capacities and these produce more intensive competitive pressures. Thus, business has been faced and will continue to be faced with a very bothersome profits squeeze.

To illustrate—total net profits of all corporations in 1956 will barely equal the level of 1950 yet over the same span of time national income is up 43% and industrial production 26% in terms of physical unit output. It is obvious that corporate earnings have fallen far behind the pace of general economic growth and expansion.

Profits Squeeze to Continue

It must be emphasized that this profits squeeze will continue irrespective of how good total business volume may prove to be. The pressure on margins will be relentless. To withstand these pressures successfully will require increasing diligence and increasing effectiveness in the application of modern techniques of corporate management. The slogan of each and every one should be "planning for profits."

(5) **Role of Government**—The fifth and last element in the future climate for business is the increasing role played by government. Although the frame of reference is different this is essentially as true under Eisenhower as it was under Roosevelt or Truman. Whether we like it or not there is no turning back. In terms of dull statistics, government spending today accounts for almost 20% of total business activity. In the late 1920's it was less than 8%.

In terms of social objectives no one will deny that the full employment standard has replaced the gold standard. Through its powers over spending, monetary measures and taxation, the government can and does exert tremendous influence over business. These powers were effectively used in 1954 to help turn the business curves upward and are now being called into play to try and hold back the forces of inflation. Despite the restraints of Federal Reserve policy, however, inflation continues to rear its ugly head.

As a matter of fact, high government spending and high taxation are themselves inflationary and will continue to exert such an influence for as far ahead as one can see. Government spending is going up, not down, and tends to neutralize at least in part the anti-inflation measures which have been taken.

Conclusion

In summary, then, the future climate of business will not be much different than that of the recent past: i. e., continuation of rapid population gains and upgrading of buying power, more wage inflation, a further squeeze on profits and a continuing high degree of government influence over business both directly and indirectly.

*An address by Mr. Gowen before the Producers Council, Cleveland, Sept. 26, 1956.

With Bingham, Walter

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — John A. Krafft has become affiliated with Bingham, Walter & Hurry, Inc., 70 South Euclid Avenue.

With Leo MacLaughlin

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — George E. Tinker has become connected with Leo G. MacLaughlin Securities Company, 54 South Los Robles.

Stock Exchange Advertising— From Tombstones to Broadcasts

By GARDINER S. DRESSER

The reversal of the New York Stock Exchange's opposition to advertising deviating from the traditional "tombstone" form is recounted by Mr. Dresser in his appraisal of advertising now done by the members and the Exchange itself. Writing "as one who in the early decades of the century fought for financial advertising which would attract attention," Mr. Dresser calls attention to the advertising that maintains praiseworthy dignity, good taste, and criticizes some flagrant exceptions for "going too far."

It was not a large advertisement and the text was nothing unusual —merely an offering by a New York Stock Exchange firm of five different railroad bonds. But it had something that caught the eye. It was headed with a picture of a locomotive. The year was 1917 and the advertisement caught the eyes of members of the Committee on Business Conduct of that famous institution, the New York Stock Exchange. The Committee summoned the offending member to appear before it.

When Mr. Chisholm arrived at the committee room, high up in the Stock Exchange Building, the Chairman, Mr. Winthrop Burr, arose. Mr. Burr was a middle aged gentleman of distinguished bearing, neatly dressed with high standing collar, ascot tie, braided facing of his waistcoat, crossed with a heavy watchchain. Fingering his grey mustache, he addressed the culprit:

"Mr. Chisholm, our attention has been called to an advertisement of your firm which, in our opinion, violates the dignity which is expected of our members. What have you to say about it?"

"But, Mr. Chairman, I don't know what you refer to," declared Mr. Chisholm.

"Why, that picture of the steam engine, of course. Would a lawyer use a picture in his announcement card? Or a doctor? It's outrageously below the dignity of a New York Stock Exchange member to do so. You must eliminate that advertisement and desist from any such lapses in the future."

Mr. Chisholm bowed his head and crawled back to his office, still somewhat uncertain as to where the line should be drawn.

No Catchphrase in Advertising Copy

It wasn't long before he and others were further enlightened. The august Governing Committee of the New York Stock Exchange in solemn conclave, upon motion made and seconded, and with no discussion, passed a resolution of great importance. Thereafter no member of the New York Stock Exchange could use a catchphrase in an advertisement.

Commenting on this action, the New York "Times," probably with its tongue in its cheek, had this to say:

"The 'catchphrase' in an advertisement or circular met with special objection from the Governors, partly, it is said, because members of the Governing Committee believe the use of words to draw attention to the printed page is undignified."

The ban on catchphrases meant that, if a member conceived the idea that a few shares of a blue-chip stock would be an appropriate holiday gift for a member of the family and if he wished to present that suggestion publicly and effectively, he could not use as a caption for that advertisement such words as "Christmas Stocks for Christmas Stockings."

Actually, the Exchange ordered discontinued the phrase "Accumulating a Competency." Another frowned on was "Savings and Its Profits." The following sentence was objected to: "Underlying issues of the standard trunk line railways which were issued ten years ago should commend themselves to the discriminating investor."

Traditional Advertising Only

The opposition of the Exchange at that time to any deviation from the traditional form of advertising was illustrated by an experience I had at that time.

I happened to be in an office of the Secretary of the Exchange one day when the Chairman of the Business Conduct Committee accosted me.

"Why is it," he asked me, "that your firm must advertise differently from other firms?"

"Because," I replied, "tombstone advertising does not attract attention and something different does."

"Don't be impertinent, young man," he sputtered.

I said, "Why sir, I thought my answer was very pertinent."

* * *

JOHN DOE & CO.
Members
New York Stock Exchange
61 Broadway New York

* * *

YOU CAN INVEST

You don't need a large amount of money to buy stocks on the N. Y. Stock Exchange. You can buy from 1 share up.

For information, send for booklet "Odd Lot Trading.'

JOHN DOE & CO
61 Broadway New York

* * *

Looking beyond the specific criticisms made, it seems to be evident that the authorities of the New York Stock Exchange in those days objected to all efforts to broaden its sphere. The Exchange was already using the "Private Club" argument in fighting political pressure for the incorporation of the Exchange. The same idea seems to have been behind a number of moves by the authorities to suppress activities of members seeking wider public participation in the market. The facilities of the Exchange, they appeared to maintain, were for the select few.

Attractive Weekly Letter Banned

A certain stock exchange firm, like many others, had been distributing a weekly market letter to its customers. In 1911, it decided to change its form into a weekly magazine and to increase its circulation. The firm started "The Odd Lot Review." Its purpose was stated thus:

"To publish comment on business and finance of special interest to the public who buy and sell New York Stock Exchange securities in quantities of less than 100 shares." Its motto was "Many a Mickle Makes a Muckle." It aimed to teach conservative participation in intelligent investment. It fought for comprehensive and current information — particularly quarterly reports of corporations. It fought for fair play from the corporations and for the corporations. Occasionally signed articles by or interviews with prominent men appeared, among them L. F. Loree, Henry Clay Frick, Irving T. Bush and Fairfax Harrison. To make the publication more attractive, well drawn, respectable cartoons were introduced and once in a while some light verse was printed, such as the parody, "When all the Street's a bull, lad."

The Governors of the New York Stock Exchange in 1916 directed the firm to divest itself of the ownership and publication of "The Odd Lot Review."

This was after "The Odd Lot Review" had had five years of uninterrupted publication and no objection had hitherto been raised to its work. It had then 3,400 subscribers.

Seemingly in those days a member of the New York Stock Exchange was permitted to publish a dull market letter but was not allowed to publish an attractive one.

Opposition to Partial Payment Plan

Then, there was the matter of the partial payment plan of buying securities. The Exchange authorities found several objections to the cooperative advertisement of six firms headed "Partial Payment Progress." Of course, the title was a catchphrase. And, to call the partial payment plan an investment plan was not permitted because, said the Exchange, it was essentially a margin account arrangement. Sponsors of the partial payment plan contended that, if a man bought a high grade stock in order to get the income, he was investing even if he borrowed part of the money to pay for the stock. They asked if the committee believed that if a man bought a wildcat oil or mining stock and paid in full for it, it was an investment? Their arguments were of no avail. The advertisement could not be repeated and what was much more important, the houses which were conducting partial payment plans were forced to change their agreement with their customers. While theretofore only the regular monthly payments had been required, thereafter special payments would be demanded from the customers if ever the equity was substantially weakened by a market decline.

Sponsors of the plan knew that the change would prevent some investors from participating, because, while those investors could count on making regular monthly payments out of their salaries, they could not count on being able to make special and suddenly called payments and thus they might be forced to sell out at a loss. The possible decrease in the number of those using the partial payment plan did not bother the Governors, however. The Governors seemed actually happy that the technicalities enabled them to curtail a movement which promised to increase public participation in the market. In fact, at the close of the meeting of the Governing Committee at which final action was taken, one member arrogantly declared:

"Wall Street doesn't want the butcher, the baker and candlestick maker sticking their noses into places where they have no business."

Everyone in Despite Member Advertising

Wanting them or not, Wall Street in the late 1920's had a full dose of the butcher, the baker and candlestick maker. It had, too, the florist, the girl from Macy's and the taxi-driver; the mortician, the waitress and the printer; the counterman, the schoolteacher and the bootblack. It had, it seemed, everyone in the world, all expecting to make a fortune overnight. And they didn't come to the Stock Exchange as a result of such member advertising as the 1917 Governors had decried. They came as a result of the advertising which the violently rising stock market itself was doing. The so-called high pressure salesmen of Wall Street were no salesmen at all. No real salesmanship was required to get orders when merely telephoning people "I hear that XYZ is going up 50 points before September" brought the orders. The buyers were not the type of investors sought by the proponents of the partial payment plan. They were plan gamblers. Wall Street had this public in unwelcomed numbers. After the panic of late 1929 struck, Wall Street didn't have them. The get-rich-quick had become the got-broke-fast and had disappeared. Not many jumped from the high stories of Wall Street's towering buildings. But it was bad enough that some did.

Then came the aftermath of 1930 and 31 and the depression.

The Quiet 1930's

In the depression which began in 1932, Wall Street was a quiet place. Outwardly it looked about the same. Trinity Church chimed the quarters and the hours at the head of the street which runs from the graveyard to the river. Brokerage offices which had occupied street floor fronts were moving to upper stories and their places were being taken by shops. The wide thoroughfares like Broadway and Broad Street enjoyed periods of sunshine and the narrow canyons of New Street and Exchange Place remained in shadow. Stenographers strolling the sidewalks during their lunch hours no longer discussed big bonuses they hoped to get; rather, they expressed their fears of being laid off. Brokers' messengers on the streets ran their errands in a more leisurely manner. World War I veterans sold apples on the corners. There were some parades, showered in the traditional way with ticker tape from the windows of the buildings on Broadway.

There were visitors, though fewer in number, in the gallery of the New York Stock Exchange, visitors who could make nothing of what was going on on the "floor" and, in many cases, like that of the visiting Li Hung Chang, were more interested in the winking of the numbers of the huge annunciator occupying one wall of the trading room, signals which call members to their private telephone booths.

Inwardly, Wall Street was a very chastened community. It had to adjust itself to the reforms brought about by the 1932 "Truth in Securities" Act — let the *seller* beware—and by the 1934 esablishment of the Securities and Exchange Commission (SEC), as well as other changes in Stock Exchange practices brought about by the Exchange itself. While some of these changes seemed painful at first in some quarters, they gradually were recognized as beneficial not only to the investing public but to the brokers seeking that public's business. A foundation was being laid for a participation in stock exchange trading of a better informed, better protected and better intentioned public.

Following Otto Kahn's Advice

Stock Exchange brokers had, of course, lost the accounts of their 1929 gambling customers. They had lost some of their old customers. They needed to rebuild, to secure new accounts. They naturally turned to advertising. This advertising *had* to attract the right kind of customers and customers in sufficient numbers. No more tombstones, then. Far from bringing down the wrath of the Exchange, this time there were nods and becks and wreathed smiles. For the Stock Exchange authorities had altered their attitude. Unwittingly, they were beginning to follow the advice given by Otto H. Kahn of Kuhn, Loeb & Co., way back in 1917 at the time of the catchphrase controversy. Mr. Kahn had said:

"Finance, instead of avoiding publicity in all its aspects, should welcome it and seek it. Publicity won't hurt its dignity. A dignity which can be preserved only by seclusion, which cannot hold its own in the market place, is not worth having. We must more and more get out of the seclusion of our offices, out into the rough-and-tumble of democracy."

Exchange Reverses Its Advertising Rules

It had taken that seed many years to sprout but in the 1930's it began to grow. Certainly great progress has been made since by the Stock Exchange itself and by its members, in educating the public as to the legitimate function of the Exchange and in seeking, through advertising, business from the public. The striking extent of the change in the attitude of the Exchange in the last 40 years can be noticed particularly when the Exchange itself is found to be doing some of the very things which in the earlier years it forbade its members to do.

Today, the New York Stock Exchange issues a magazine of its own. "The Exchange" is its title. It is an interesting and helpful monthly, with naturally much information from the original source. It is refreshing to read in the March 1956 number this statement:

"When the New York Stock Exchange sponsored the motion picture 'What Makes Us Tick' nearly three years ago, It discovered — pleasantly — that a serious message presented entertainingly and with humor wins widespread public acceptance."

That, it will be noted, is just what "The Odd Lot Review," the little paper of the member firm which was banned in 1917, was trying to do. Note, also, that, while a member of the exchange in 1917 was prevented from publishing a paper, the Exchange now not only publishes a magazine but it also sponsors a movie. And observe that the title of the movie is a masterpiece of catchphrase, "What Makes Us Tick."

In the same issue of "The Exchange" is an article with the caption "F for Ford," another good catchphrase.

Members of the Exchange are now permitted to give stock market talks over the radio. They conduct information booths at expositions. Recently a permanent information center has been opened by the member firm in the concourse of the Grand Central Station in New York.

Now Seeks Broad Market

The President of the Exchange is a busy man speaking at meetings all over the country. In a recent speech before the New York State Chamber of Commerce, he expressed the hope that in a decade from now there will be 12,500,000 stockholders in the nation, against an estimated total now of about 5,000,000. He said the New York Stock Exchange was endeavoring to create an understanding of the market and an awareness of both investment risks and opportunities.

"We think," Mr. Funston said, "that out of this knowledge a prosperous people will show a perfectly healthy desire to risk some of their money on the prospects of the future growth of their country. Our people have a right to share in the future and ought to be encouraged to do so."

In all of its various public relations, the New York Stock Exchange has maintained a praise-

worthy dignity. The same may be said about most of the advertising of exchange members.

Different Types of Advertising

No one except those clinging to the outmoded ideas of the Exchange Governors of 1910 who were shocked at the picture of a locomotive will find fault with those current advertisements headed by reproductions of excellent illustrations from "Tom Sawyer" and "Treasure Island."

But there are, in the humble opinion of the writer, a few rather flagrant exceptions where members' advertisements appear to fall below expected dignity.

A series of advertisements of one prominent house reminds one quite definitely of patent medicine testimonials.

Another firm attracts attention with a good catchphrase and gives good advice with the caption "Don't Be a Consensus Taker," having in mind the person who seeks advice from many uninformed sources.

A third example is composed of limericks and sketches which speak for themselves.

Summary

As one who in the early decades of the century fought for financial advertising which would attract attention, the writer feels quite unprejudiced in criticizing these and some other Stock Exchange firms' advertising as going too far —attracting attention with lack of good taste. Perhaps their copywriters have been influenced by the television commercials wherein squawking parrots try to make you buy razor blades and a young couple, with moronic grins, sing silly jingles about fountain pens. At least some of the financial advertising gives the definite impression of talking down to the public.

Something of a climax seems to have been reached when the largest bank in New York City seeks customers for its personal loan and personal checking departments by advertising in the newspapers, by cards in the subway, by window displays and by outdoor billboards, caricaturing the customers it seeks as pumpkin-headed or cotton-tailed, insect-limbed, popeyed puppets, right out of the comics.

To Talk on Women and Their Investments

"Women and Their Investments," will be the subject of a talk by Olga La Boux at a meeting of the Ladies Auxiliary of the Trinity Commandery No. 68, Knights Templar, on Friday, Oct. 12, 1956. The meeting will be held at 8:00 p.m. at 137-70 Northern Boulevard, Flushing, Long Island.

In her talk, Miss La Boux will stress the importance of women as investors and how imperative it is for them to become more fully acquainted with the various possibilities open to them. She will particularly point out the attractiveness of mutual funds for both the small and large investor, which offer such advantages as professional management and broad diversification.

Miss La Boux is a registered analyst with Bache & Company, members of the New York Stock Exchange and other leading exchanges. She has had over 13 years' experience in the management of mutual funds and participated in the establishment of two funds. In addition, she has lectured at Rutgers University Graduate School of Business on the subject of mutual funds.

FIF Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Steve K. Yagi has been added to the staff of FIF Management Corp.

Merger Motivations Examined For Business Investor Health

By DR. J. FRED WESTON
Professor of Finance
University of California, Los Angeles

Finance Professor Weston reviews the investor advantages and disadvantages resulting from mergers, in reviewing the growth record and motivations for such business development. Points out: (1) mergers since 1904 until 1948 have not led to monopoly, despite continuation of mergers, and that concentrations have actually decreased in most major industries; (2) merger announcements can influence upward stock price increase; (3) market value can generally approach merger terms providing merger terms become rather clear; (4) arbitrage operations may be possible, and (5) that in some instances merger-earnings prospects are exaggerated.

I

The first major merger movement took place at the turn of the century when over 200 combinations took place involving amounts of money totaling $10,000,000,000, a tremendous sum for the size of the economy at that time. Privately produced production in 1900 was $15 billion compared with $280 billion in 1954. The significance of the early merger movement, however, can be understood best not through a discussion of these global figures, but rather by looking at some of the individual mergers.

Dr. J. Fred Weston

The Rise of U. S. Steel

The largest was the merger which brought U. S. Steel together. Shortly before 1901 Andrew Carnegie decided that he would like to retire from control of his Carnegie Works. He made overtures to John D. Rockefeller, who had initiated the merger movement by bringing the Standard Oil Trust together in 1879. Mr. Carnegie offered his steel plants to Rockefeller for $250 million, but Rockefeller felt the price was too high. A short while later Carnegie proclaimed that he was going to build some additional steel works, that he was going to build a new railroad to the ocean and in general was going to compete more vigorously with other producers in the iron and steel industry.

Apparently Carnegie was actually interested in selling out, because he arranged a dinner at which a number of prominent bankers were present. At the dinner a speech was given by Mr. Charles Schwab, who was at that time a protege of Carnegie. Schwab expounded the values of a large combination among the steel companies—views so large, so wide, so interesting that they strongly impressed one of the guests, J. P. Morgan. Schwab's argument was that by concentrating production of one type of steel product in a particular mill, this specialization would achieve economies, so that at the existing prices for steel tremendous savings and profits could be obtained by a combined steel company. J. P. Morgan then proceeded to arrange the combination. He brought together the Carnegie Company with securities of par value of $317 million along with a group of other companies. The unit next in size to the Carnegie was the Federal Steel Company with par value securities of $99 million and the American Steel and Wire Company with par value of securities of $90 million. The total par value of securities brought together was $900 million.

The par value of securities issued by U. S. Steel Corporation was 1.3 billion, an increase over the old par values by $400 million, or some 45%. An estimate made at the time by John Moody, the founder of Moody Publishing Company, was that only ⅓ of the capital of the old companies was tangible assets. Carnegie, received for his properties $492 million worth of securities in U. S. Steel.

International Harvester Company

Another significant merger was that which brought together International Harvester Company. Throughout the 1890s the rival harvester and reaper dealers, mainly Cyrus McCormick and William Deering fought each other bitterly for business. The story is told that many a time a farmer coming to town would be pursued by competing salesmen. Sometimes, the farmer, to escape, would flee into a hotel room. The salesmen would knock down the door and the farmer, to escape, would have to jump out the window. This was competition that at times approached warfare.

In 1902 the assets of McCormick were $50 million. Deering's assets were $25 million. In 1902 George Perkins, a partner of J. P. Morgan and Company, finally united the two warring firms along with three other manufacturers into one unit. McCormick received $51 million in stock in the new company; Deering $41 million; Milwaukee Harvester $5 million; Wardell, Bushnell and Glessner $4 million; Plano Manufacturing $6 million. J. P. Morgan and Company received $13 million. The total capital stock was $120 million. John Moody estimates that the true value of the capital stock was about $20 million, so that tangible assets amounted to 17% of the capital and intangibles 83%. The new company controlled 85% of the harvesting machine business.

Mergers in the 1920s

The merger movement at the turn of the century was said to have been mergers for monopoly control of the markets. The next great merger movement took place in the 1920s. This merger movement was described as a merger movement to enable firms to integrate operations. If the firm manufactured automobiles, it engaged in mergers to acquire steel companies, companies that mined ore and then shipping and railroad companies which transported the ore to the steel mills which manufactured the ore into steel of various kinds. Many of the mergers of the '20s were to round out distribution lines of product. The two main characteristics of the mergers of the '20s were for integration and for rounding out marketing and distributive lines.

The last 10 years have seen a great revival of the merger movement. Since 1945 there have been some 10,000 mergers, 4,400 of these large enough to be described at least briefly in the newspapers. The amounts involved approximate $20 billion.

II

Mergers and Concentration

With this historical background of mergers we now turn to an examination of the motives for mergers. First, let us examine the charge that was levied against mergers initially — that mergers have been mainly for monopoly. The statement has been made by the Federal Trade Commission and others that the principal source of growth of the large firms in our economy at the present time has been through mergers. In a book published in 1953 "The Role of Mergers in the Growth of Large Firms," I analyzed the growth of the largest firms in 22 industries with the highest degree of concentration. Some of the industries studied were: vehicles, steel, electrical machinery, meat packing, cigarettes, rubber tires and inner tubes, tin cans, agricultural implements, petroleum refining. The 74 largest firms in the 22 industries grew in total assets by some $32½ million during the period from roughly 1900 through 1948. One-fourth of the assets, something over $8 billion, were directly growth from mergers and three-fourths from internal growth. Thus, mergers, while an appreciable source of growth, were by no means the dominant source of growth. For about two-thirds of the firms growth through mergers constituted less than 50% of their growth. For about one-third of the firms more than 50% of their growth came about directly through mergers.

Mergers and Natural Growth

Turning to the question of the extent to which mergers after 1904 contributed to the concentration existing in these industries at the present time, we find that mergers since the turn of the century accounted for practically none of the concentration existing at the present time. On the other hand, existing concentration is accounted for almost entirely by mergers which took place at the turn of the century. Hence, if one asks the question, "to what extent is present concentration due to mergers?" we must answer, "almost entirely." When one asks the question, "To what extent is pres-

Continued on page 28

The Anatomy of Investmentry: Goods, Gold and Guesswork

By A. VERE SHAW*
Investment Counsellor, New York City

Investment Counsellor explains: (1) the investment process; (2) rewarding results of speculation; (3) relative concept of safety; (4) how to construct a portfolio; and (5) what has made the stock market safer than ever before. Mr. Shaw recounts early pioneering experience in setting up 40-40-20% portfolio ratio, and decries disappearance of the gold dollar, making it necessary, more so than ever, to rely on stocks, instead of municipal or corporate bond and bank deposits. Notes that investing today involves less risk than it did 25 years ago, and warns against typical investor-maladies of fixedly holding on to certain investments, or of constantly switching to new hopes without adequate study.

There exists no accepted scientific definition of investing. But I shall offer one, which I hope you will accept, and will remember.


A. Vere Shaw

As corporation executives and as individuals it is important for you to **make** money. It is important for you to **save** part of what you make. It is equally and vitally important to **keep** what you save. And that will not be easy. A money-maker is not always a money-saver, and a good saver is not always a successful keeper. Different trades need different aptitudes and no man's day exceeds 24 hours. Perhaps from a long experience as investment counsel, I can impress upon you, a few tried and sound principles, the observance of which will surely help you to keep what you save.

Investing is very like going on a journey, a journey for which the traveller constructs or assembles his own vehicle. On a journey many factors are involved besides traveller and vehicle. There are the destination, the weather, the terrain, information sources, service agencies, operation and repair of the vehicle, etc. For the investor this means (1) his objective, (2) the capital structure he builds, (3) economic and industrial conditions which affect it, (4) bankers, brokers, investment counsel to help him, and (5) his own operation of his investment vehicle. Since these are too many factors for discussion today, we shall concentrate on the investor himself and his investment vehicle.

Investing Is Engineered Speculation

Now let us suppose that every person present has saved three-quarters of a million dollars. (It would be just as easy—easier—to suppose a million. But your continued health and happiness demand that you face the challenge of **making**, and **saving**, another quarter-million before you retire.) How are you going to keep what you have saved?

Not by gambling—a hazardous, a socially non-productive, but quite an interesting enterprise which we shall not discuss. You will keep what you have saved—by speculating; **not** by speculating as it is commonly misunderstood, but by a sound method of planned speculation which affords a high degree of safety for your capital. This is the Safety-Engineer's method. This is investing.

With three-fourths of a million "Uncle Sam" dollars in the bank at 3%, you might think your savings are safe. But not at all. They can rot while piled in the bank. Twenty-five years ago dollars were gold dollars, but overnight by government fiat they became simply paper dollars. Since then, they have lost over half their purchasing power. And money is good only for what it will buy.

No, your dollars—gold or paper—must be made productive; they must be risked in speculations. Unless your capital produces income and growth, it will surely waste away. Remember, too, that our standard of living is constantly rising. Always more and more purchasing power is needed—in business, government, education, and in the home.

Speculation Defined

To speculate, in its ordinary sense, means to think, to wonder about, to search for an idea. In business and finance, "to speculate" means to put time, money, or both, sometimes even life itself, into developing an idea, with profit as the ultimate objective. A few men devoted time and money to building "The Spirit of St. Louis," but Charles Lindbergh, one of the daring speculators of all time, in addition to time and money risked his life on an idea.

That our country is the greatest and strongest nation on earth, with the highest standard of living ever known, is due to the adventurous spirit, the intelligent speculation, of American business men.

Some speculations are very risky and others entail small risk, with numberless variations between. But there is no 100% safe speculation.

When you buy shares of du Pont, General Electric, or Mexican Uranium, you are taking a risk. When you buy a government, municipal or corporate bond, you are taking a risk. The dollar you get back when your bond matures may be only a half-dollar in today's purchasing power. In fact, just living your life every hour of the day is taking a risk. You finish with risk, with speculation, only when you die.

Safety Examined

In King Henry IV, Shakespeare gives one of his characters these words; "The purpose you undertake is dangerous, . . . that's certain. 'Tis dangerous to take a cold, to sleep, to drink; but I tell you, . . . out of this nettle, Danger, we shall pluck this flower, Safety."

And so with investing. Out of the nettle-patch of speculation, the man who proposes to keep what he saves must pluck the flower of safety. Too often he does not recognize safety when he sees it.

Safety is a relative concept which changes constantly. Furthermore, it must be defined in view of an objective to be accomplished. The earliest automobile was a somewhat dangerous machine. Over the years it has been made relatively safe. Yet in some cities, on some roads, the automobile is not as safe as it was 50 years ago. New conditions have altered its safety factor.

Twenty years ago you could have gone to Chicago more safely by train or automobile than by airplane. But if speed and comfort were an object, you might well have taken the extra risk and gone by plane. The safety of any particular vehicle, of any particular action, changes in degree from time to time. Usually it improves, but it never reaches absolute. So depending on his objective and other factors, the investor may require a maximum degree of safety, a reasonable degree, or only a fair degree.

Portfolio Construction

Turning now to the vehicle, this capital structure, which the investor must build and ride to his destination, what are the principles of safe construction? In brief, they are these and I am sure you have heard them:

(1) Study every risk, every speculation, you contemplate taking; i.e., every stock or bond you contemplate buying.

(2) Take only the better risk.

(3) Diversify your risks by industry and by company.

(4) Take only a reasonable number of risks, no more than you can study regularly.

(5) Inspect your holdings regularly to see that they remain sound and attractive, otherwise replace them.

These are not all the rules of safe construction, but, if adhered to, these are sufficient to give you a seaworthy vessel. Now that we are back to "ships," let me say a word on "displacement." And not the funny, "phony" displacement Mark Twain described.

Goods, Gold and Guesswork

The heavier the hull of a vessel, the greater its displacement of water. The greater the displacement, the slower the vessel (given the same power). And the slower the vessel, the longer in reaching port and the fewer ports visited.

Applying this to investing, bonds — representing money loaned—have generally been regarded as the solid backlog of an investment structure, and **that** they are, the hull and the keel. The question is, how much hull is advisable and should it be increased and reduced upon occasion.

Common stocks are the motive power of the investment structure, and what relation should motive power bear to displacement? These are important questions and the answers change from time to time as safety factors change.

Back in the early twenties, a few young men in Boston began the study and practice of investing on a professional basis, i.e., investors paid us directly to work only for them. After much study we adopted a theory that bonds (representing money — gold in those days) should ordinarily constitute a minimum of about 40% of an investment structure. Common stocks (representing ownership of goods—real estate, machinery, raw materials) should likewise account for a minimum of 40%. The remaining 20% was to shuttle between bonds and stocks according to our judgment of the economic weather. One of our bright young men dubbed this "The Theory of Goods, Gold and Guesswork—40, 40 and 20." (You will understand this was strictly for office consumption.)

In New England in 1920 only bonds were considered suitable for investing and the man who bought a stock was not an investor. For an investor to maintain 40% of his fund in common stocks was a very radical procedure in those days. However, we sold the idea to enough New Englanders to make a living for ourselves. Today, colleges, trust companies, charitable funds and private investors in general follow the practice of having 40%

Continued on page 24

*An address by Mr. Shaw before Metal Trade Association, Spring Lake, N. J., September 12, 1956.

NASD Opposes SEC Proposals On Mutual Fund Sales Literature

National Association of Securities Dealers Inc. opposes SEC proposals changing content of investment company literature on the grounds that the proposals would "mislead" the public, and seriously damage public interest, reputable investment dealer community and investment companies. Reviews recommendations NASD will present, in place of SEC's proposals, at November 15 hearings.

The National Association of Securities Dealers announces that it will oppose Securities and Exchange Commission proposals to revise the Statement of Policy governing literature used in the sale of investment company (mutual fund) shares.

Action by the largest organization of securities dealers in the country was taken following a report on this subject to the Board of Governors by its Investment Companies Committee. This report stated that the effect of the SEC proposals would be to "mislead" the public with respect to: (1) charts and tables used to show the investment results of investment companies, (2) tables designed to illustrate the results of continuous investment plans and dividend reinvestment plans, (3) rates of return, and (4) tax status of capital gains distributions.

The NASD committee emphasized that the primary aim of the Statement of Policy should be to serve the public interest by setting proper standards for fair and accurate disclosure of investment results.

Hearing Set for Nov. 15

The SEC has set a public hearing for Nov. 15 on its proposals. The NASD said it would file a brief and appear at the public hearing in opposition to the SEC proposals. In addition, the Investment Companies Committee of NASD said it would urge the adoption of a number of revisions to the Statement of Policy, previously submitted to the commission, designed to assure fair and accurate disclosure.

Concerning the Commission proposals, the NASD Committee's report said:

"The Committee most earnestly believes that in certain highly important respects both the present Statement of Policy and the proposed SEC revisions fail to recognize practical realities, fail to reflect sound principles and fail to accomplish what the aims and purposes of the Statement of Policy rightly should be. With equal earnestness, the Committee believes that if the proposed revisions were incorporated in the present Statement of Policy an impossible situation would result wherein proper and desirable disclosure material and significant facts would be suppressed and wherein materially misleading information would be required to be shown. As a consequence, the public interest, the reputable investment dealer community and investment companies would all suffer seriously damaging effects."

NASD Recommendations

Instead of the SEC's proposals, the NASD Committee has recommended the following:

(1) Eliminate the 10-year limitation on charts and tables to permit the showing of a record of performance properly adjusted for capital gains distributions for period of 10 years or longer, provided such longer periods are in multiples of 5 years or for life of the Company.

(2) Eliminate the prohibition, with respect to continuous investment and dividend reinvestment plans, against showing the year by year as well as over-all results of accepting capital gains distributions in additional shares and reinvesting all income dividends, and permit tables showing such results to cover periods of more than the last 10 years and for a variety of periods.

"As the proposed SEC revision opens up the matter of rates of return and as the present Statement of Policy provisions on this matter represent an unsatisfactory compromise, the Committee believes it appropriate to make a further recommendation at this time with respect to this matter," the NASD group said.

"There are two commonly accepted bases for computing percentage returns. One is to relate dividend income to original costs price. This permits determination of annual income return expressed as a percentage of cost price and of an average annual return as a percentage of cost price. The other is to relate dividend income to current cost price. This permits determination of "current return" as of the moment. These methods of computing rates of return on equity type securities have been in common use throughout history. It is unrealistic to overlook this fact and discriminatory to prohibit their use with respect to investment company shares.

"The Statement of Policy should concern itself with preventing misrepresentation of "yields" and with making clear that no percentage return can be assured for the future, that the "current rate of return" is not a fixed rate and is based on quarterly or semi-annual dividends which can be greater or less than the current rate.

"The Committee recommends that the Statement of Policy be revised to reflect the above principles."

W. H. Rometsch With Baker, Weeks & Co.

PHILADELPHIA, Pa. — Baker, Weeks & Co., members of the New York Stock Exchange and other leading exchanges, announce that William H. Rometsch has become associated with their Philadelphia office, Philadelphia National Bank Building, as a registered representative.


William H. Rometsch

Mr. Rometsch was formerly Secretary and Treasurer of the Fletcher Works, manufacturers of textile machinery.

With F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif. — Richard E. Patton has become associated with Francis I. du Pont & Co., San Diego Trust & Savings Building. Mr. Patton was formerly with First California Company for many years.

J. Barth Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—David F. T. Zec has been added to the staff of J. Barth & Co., 404 Montgomery Street, members of the New York and San Francisco Stock Exchanges. He was previously with Reynolds & Co.

Changed Population and Policies And Their Economic Impact

By DONALD B. WOODWARD*
Chairman of the Finance Committee, Vick Chemical Corp.

On the basis of pronounced changes occurring in people—a basic attribute of the economy, national economic policies, and world conditions, Vick Chemical officer concludes that the future will witness: (1) cyclical fluctuations of 1938 and 1921 variety rather than of the 1930's and 1890's; (2) irregularly, rapidly rising price level; (3) big government; (4) small rather than large wars; (5) greater economic progress in third quarter of this century than in any other quarter to date; and (6) splendor of capitalism triumphing over poverty-directed socialism and communism.

This economy is made up of and is operated by people. Some very important changes have occurred regarding people and these changes have great implications for the future. Let me enumerate five of them:


Donald B. Woodward

(a) The number of babies born in the United States rose from less than two million annually in some of the prewar years to around four million annually and has continued around the latter figure for more than ten years. This change in the attitude toward children in many respects is the most striking fact of our times. It greatly influences economic conditions for several decades ahead. In each hour and a half, 696 children are born in the United States. There are, evidently, some people who do something more about the future than sit in meetings and talk.

(b) What is happening in the United States is also happening in the world. In each hour and a half, there will be about 12,000 babies born somewhere on the face of the earth. This large number of births continuing year after year does much in shaping both the near and the distant future.

(c) As a consequence of the change in births in the United States, we are about to enter a period in which far more couples will marry, purchase housing and household equipment and start having their own children every year than any previous time. A good measurement of this is the number of females reaching age 18 each year. Currently over one million females reach age 18 each year and this was about the same level as in the 1920s. During the next two decades this number will soar from the present level of slightly over one million each year up to close to two million each year by 1970. This is no guess, for these girls have already been born.

(d) The incomes of the growing population of our country have risen greatly. The average family income is now above $5,200 and this is more than double the level of a generation ago. For reasons I shall subsequently discuss I expect a continued significant rise in the real income per family and per capita in the United States for a long time to come.

(e) And finally, let's discuss what's happening to people. The dynamic feature of the United States economy is its business organizations. The management of these business organizations is far more competent now than it was a generation or even a good deal less time ago. The amount of business education has tremendously increased. And it continues, through such excellent organizations as the Controllers Institute of America.

And so for these five reasons I suggest that a very great and consequential series of changes have occurred in the last 10 to 25 years in perhaps the most basic attribute of an economy: its people.

Major National Policy Changes

In addition, another major change has occurred which is very important. This is a change in the policies which the people who make up this society are determined to follow. Let me briefly identify:

(a) This society has become dedicated to the maintenance of high or full employment. This dedication is on the statute books in the Employment Act of 1946 and is shared by both political parties and most organized groups. We have replaced such earlier objects of national policy as the balanced budget, the gold standard, the smallness of government with the aim of full employment and have subordinated most other considerations. The same is true of most countries in the world.

(b) We have as a country concluded that scientific research merits far more attention than it has ever before received. The total national expenditures for this purpose are estimated at something like $5 billion currently as compared with less than $1 billion in prewar times. We are more persuaded than ever before that we can improve our welfare by devoting more men and money for scientific research and it has become a fundamental policy to do so.

(c) As a companion piece to greater research we are devoting a larger proportion of our income and of our savings to improvement in our plant and equipment, to enable us to produce more and better things either more cheaply, or at least with less of a rise in cost than would otherwise be necessary. The current rate of business investment in plant and equipment is higher than the average of many past years. It promises to continue high because of the results of research, the rising cost of labor, and business competition.

(d) We have concluded that in the pursuit of internal welfare and external defense a very much larger government expenditure is necessary than has ever been contemplated in this country other than in war. This expenditure now amounts to something like a fifth of total national outlay and it is less susceptible to fluctuation than most other major expenditures. While it has some adverse implications, it does as the National Bureau of Economic Research has so ably explained, contribute to economic stability.

(e) We have as a matter of policy reconstituted our monetary system so that it is far less likely to be the cause of business depression than in the past. In the past indeed one of the closest associations in economic affairs existed between the monetary situation and the total of business activity.

And so it seems that we have made major changes in our national policies toward economic affairs as well as having had a very major change in people.

Enormous Change in World Conditions

To these two major changes I would add one more: the two great world wars and the great depression have combined to disintegrate the neat and seemingly secure world order that appeared to prevail before 1914. The organization of the world is undergoing a vast reorientation from that of the 19th Century which rested on the gold standard and the British Navy. The reconstitution of world order is an anguishing and time consuming process and I expect that we shall live the rest of our lives in that condition of uncertainty and anguish.

I could elaborate this proposition of enormous change in population, in policy and world condition at great length and could add to the list of examples. But perhaps I have succeeded in conveying my point that some very basic changes have occurred in the American economy and its environment and they do much to set the framework for economic activity for this year and next year and many, many years to come.

Some Conclusions

What, then, is it appropriate and valid to conclude about the future on the basis of these facts. I have six conclusions to submit to you which I shall phrase in stark brevity.

(1) The recurrence of great economic catastrophes of the type of the 1930's and the 1890's is unlikely; business policy needs not be formed in the anticipation of general disaster. But this point should not be carried, as it sometimes is, to the extreme view that there will never be significant fluctuations in general business activity again. I deem fluctuations up to the magnitude of 1938 and 1921 still possible.

(2) We shall experience a rising price level for the rest of our lives; the rise may be irregular but it will be unmistakable. This means that the dollar figures used in accounting will not be dollars of fixed value; you will be dealing with a rubber yardstick. I think this presents a sizable problem to Controllers, and I know you have discussed it extensively in past years. I do not feel that you have adequately solved it.

(3) Big government — big as compared with standards prior to World War II—will continued indefinitely. The devotion to the thesis that government is best which governs least has largely disappeared. Dealings with government and its forms and personnel will be an important part of your business life for all the rest of your careers.

(4) Intermittently, there will continue to be alarms and tensions in world affairs. Our distress over the past decade with such incidents as the Berlin blockade, Korea, Vietnam, Israel, communism, socialism, and currently Suez will be repeated at one place and another and in one form and another. This will affect Government policies and foreign operations of individuals, business and government. My belief is that major war will be avoided but this opinion may be compounded of wishful thinking and ignorance.

(5) I believe that there will be greater economic progress in this third quarter of the 20th Century than in any other quarter century in world history—and in some important respects more than in all past world history rolled together. By economic progress, I mean improvement in the material welfare of American citizens. And I think, despite the charges of those who belittle materialism, that this economic progress will contribute also to the moral and spritual welfare of the members of this society.

(6) The splendor of capitalism, already evident in the results in the United States, will become even more magnificent as this quarter century progresses. With the achievements already made and the still more glorious ones to come, our system can, if it exercises even reasonable diligence and determination, emerge as the complete victor over the muddle headed notions of the socialists and the communists which if followed would take us down the sorry hill to the valley of poverty. The future, belongs to the beneficent system of free capitalist enterprise.

*An address by Mr. Woodward before the Controllers Institute of America, New York City, Oct. 1, 1956.

Hanns E. Kuehner Now With McManus Walker


Hanns E. Kuehner

McManus & Walker, 39 Broadway, New York City, members of the New York Stock Exchange, announce the association with them of Hanns E. Kuehner as Manager of their investment and research department. Mr. Kuehner was formerly of Joyce, Kuehner & Co.

King Merritt Branches

King Merritt & Company, Inc. has opened five new branch offices, at 100 First Street, S. W., Cedar Rapids, Iowa; Chamber of Commerce Building, Boston; Third National Bank Building, Springfield, Mass.; Franklin & West Boylston Streets, West Boylston, Mass.; and in the Johnston Building, Charlotte, N. C.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks put on about as indecisive a show this week as has been seen in the bull market swing, the need for a consolidation phase being fully met by the alibi of an overriding interest in the baseball windup for the season. Some neglected records of nearly three years' standing were broken by volume dropping off to the levels of late 1953 and early 1954.

As a result, few moves of major significance stood out in the general welter of disinterest. Steels were inclined to wallow around uncertainly to see the effects of the July strike on third quarter earnings. In individual cases, such as Lukens Steel which reported a near-fabulous spurt in earnings, the news seems pretty well discounted in advance, and the stock had to contend with some mild selling on the good news.

Easiness in Telephone

American Telephone was easy with as much persistence as it has shown in many months, the weight of the current rights offering and the fact that the "bonus" of rights worth better than $6.50 each is now history all contributing to a rather long string of new lows for the issue. It would be surprising if the issue doesn't bounce back at least part way once the rights weight is lifted, since this blue chip with a yield of nearly 5½% gives one of the better returns offered in the quality section of the list.

Motors have shown little anticipatory accumulation even on the eve of the new model introductions. Ford and Chrysler seemed to share the speculative enthusiasm at such times as attention has been directed to the automotive section. With credit more costly, and auto prices higher, there is skepticism evident over the extent of the anticipated rebound; ignoring to some extent the fact that new car inventories are thoroughly under control and that the new models will be far more attractive because of extensive changes. The auto shares, except for General Motors, mostly appear on lists suggesting only intermediate holding and near-term speculative commitments.

Mild Flings in the Rails

Rails haven't been able to muster any sustained investor interest for a long time, apart from one-day flings now and then. They are still favored by investment advisors because of the high level of activities currently and the favorable yields available in the group.

In the case of Baltimore & Ohio, to the basic factors is added one of the more aggressive debt modification programs of any major carrier. In fact, it is nearing its final stage and the current exchange offer to turn in income bonds for debentures will, when completed, pave the way for putting the common stock on a quarterly dividend basis. Earnings last year rose sharply as debt costs were whittled down and the reports so far this year have been running comfortably ahead of those of last year.

Tobaccos are definitely in the high yield bracket, the recurrent cancer scare stories coming along just in time to chill rallies in the issues. Nevertheless, such declines as the recent one only cause the issues to reappear on lists of attractive yield stocks, since consumption holds up well and the chief effect of the scare stories so far has been to accelerate the trend toward filter-tip brands.

Shift to Cigars

Cigar consumption has been gaining steadily, the figures for this year being freely predicted as reaching levels not seen in a quarter century. A part of this is attributed generally to the fact that cigars haven't been a part of the cancer scare stories, as have cigarets, and the evidence submitted so far seems to exonerate cigars completely from the disease implications. The cigar issues, as a result, have been doing better marketwise and yields are more in line with the general market. One boon in this field, with full effects yet to be exploited fully, is the saving in tobacco waste through the new process of using reconstituted tobacco. In the industry it is felt that it will be 1957 or later before the lift to earnings from this innovation are felt fully.

Higher money rates naturally have turned quite a bit of attention to the bank stocks because of the help to earnings that this move will bring. There is a complete dearth of banks among listed issues, but a couple of bank holding companies are available including Marine Midland which owns 12 institutions in New York State that operate 148 banking offices. Most of the institutions are upstate ones, with the St. Lawrence Waterway and New York Thruway projects being counted on to prompt substantial growth in upstate areas serviced by the Marine Midland banks. The stock is generally regarded as a candidate for a further dividend increase, while it offers a yield of nearly 5% even on the present rate.

A newcomer to listed trading that also is something of a younger company on the industrial scene is General Steel Castings newly added by the New York Stock Exchange. Part of the reason the company isn't too well known is the fact that its ownership for years was shared by four companies.

Alcoa, Baldwin-Lima and Pullman no longer share the title of "owners" of General Steel, only American Steel Foundries still retaining a nominal investment. Debt burdens have been reduced to workable levels and arrearages cleared up on the preferred stock of General Steel in recent years. Technically a railway equipment company, General has been active in diversification, too, and its rail business is now down to less than two-thirds of the total, with the expansion principally in electrical apparatus in addition to its defense work.

An Emerging Growth Issue

Worthington Corp. for long was one of the more sedate of the industrial enterprises, maintaining constant but unspectacular annual profits. The lack of significant growth kept the issue restrained. Now, however, the benefits of a 10-year expansion program are starting to emerge and projections for this year's results show earnings breaking out of the narrow range on the up side. In addition, the company's wide product line has participation in other industries where growth is a keyword, including petroleum and chemical lines. The company is regarded widely as a candidate for dividend liberalization this year in view of the breakout of earnings from the tight range.

Oil well equipment issues only lately have shown signs that investors are turning toward them, after most of the bull market ignored them rather completely. National Supply, for instance, is the titan of the world in machinery and equipment for oil fields, but has been available at less than eight times projected earnings for this year. The Suez situation, turning attention away from the Middle East, has spurred the hunt for oil elsewhere which could, in part, be the reason for a belated interest in issues such as National. The company's own estimates are for an annual increase in sales of 7%, a figure ahead of domestic oil drilling and even domestic demand for oil.

[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.]

NSTA Notes

AD LIBBING

Carl Marks, of Carl Marks & Co., New York City, has just signed up for a half page advertisement on the outside back cover of our NSTA Year-Book issue of the "Chronicle." We all extend our thanks to Carl for his fine support.

Carl Marks

To all our members, K. I. M. our Convention deadline is soon approaching and send in your space reservations if you have not already done so.

Harold B. Smith

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

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

Samuel M. Kennedy, of Yarnall, Biddle & Co., was elected President of the Investment Traders Association of Philadelphia at the annual meeting on Tuesday night, Sept. 25, at the Warwick Hotel.

Samuel M. Kennedy

James G. Mundy

Rubin Hardy

Willard F. Rice

J. B. McFarland, III

James G. Mundy, of Stroud & Company, Incorporated, and James B. McFarland, III, of Hecker & Co., were elected First and Second Vice-Presidents respectively.

Rubin Hardy, of First Boston Corporation was named Secretary.

Willard F. Rice, of Eastman Dillon, Union Securities & Co. became Treasurer.

Newly elected Governors are:

Edgar A. Christian—Stroud & Company, Incorporated.
Jack Christian—Janney, Dulles & Co.
L. Craig Dick, Jr.—L. C. Dick & Co.
William Doerr—American Securities Corporation.
Frank Gorman—H. G. Kuch & Co.
Thomas J. Love—George E. Snyder & Co.
Clifford G. Remington—Woodcock, Hess & Co.
Rudolph Sander—Butcher, Sherrerd & Co.
John F. Weller—Goldman, Sachs & Co.

William J. McCullen of Hendricks & Eastwood was elected Trustee of the Gratuity Fund.

Joins Lloyd Arnold

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—David W. Schlegel has become connected with Lloyd Arnold & Company, 404 North Camden Drive. He was formerly with Samuel B. Franklin & Co.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

PENSACOLA, Fla.—Fretwell J. Floyd, Benjamin L. Franklin, Karl W. Lehmann and Donald D. Dwyer have joined the staff of Hamilton Management Corporation.

With John Toennessen

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — John P. Corya is now with John A. Toennessen & Co., 135 West Wells Street. In the past he was with A. G. Becker & Co., in New York.

Two With Calif. Investors

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Edmund M. Borschow and Vincent C. Gribben have become connected with California Investors, 3932 Wilshire Boulevard.

Metalworking's Fabulous Future And Revolutionary New Products

Predicting fabulous metalworking sales growth stimulated by atomic developments; and even faster advertising growth rate acting as automation's mainstay, "Steel" Editor Such also points a picture of atomic-powered airplanes by Spring and other revolutionary offerings.

Speaking on "Metalworking's Fabulous Future," Irwin H. Such, Editor-In-Chief of "Steel," predicted before a meeting of advertising agency executives, October 2, that atomic-powered planes will be in the air by next spring, transistor-powered radios in cigaret lighters within 10 years and atomic heat for homes within the next decade or two. Mr. Such added that the new types of energy released by the atom and controlled by the electron will do more to stimulate growth of the metalworking industry during the next two decades than anything that has happened to date.

Irwin H. Such

"Never before," said the speaker, "have two such mighty forces been unleashed at the same time. Together, they are certain to dwarf the industrial revolutions brought about by steam and electricity."

Our metalworking industry already is the world's greatest industry, said the "Steel" editorial chief. "Gross metalworking sales in 1955 totaled $129 billion. That is more than the aggregate sales of the next five largest industries—food and beverages, petroleum and coal products, chemicals, lumber and furniture, and textiles."

Forecasts Metalworking Sales

Present metalworking volume will look small in a few years, believed the editor-in-chief. By 1960, metalworking sales will reach $193 billion, a 50% increase over 1955's volume. By 1975, he forecasted metalworking sales will be up to $372 billion, nearly as much as the total Gross National Product last year. All figures are in terms of present dollars.

Talking to advertising executives, Mr. Such predicted an even faster growth for advertising. He pointed out that in 1940, when the Gross National Product was $100 billion, advertising sales were $2 billion. By 1955, GNP had climbed to $391 billion, a less than fourfold increase, but advertising expenditures had climbed to $8.5 billion, more than a four fold increase.

The trend toward larger advertising expenditures will continue, Mr. Such declared.

Advertising to Aid Automation

He said that one of the factors supporting rapid growth of advertising will be the advent of automation. "But automation requires the establishment of a predictable, stable and expanding market. Manufacturers cannot afford the tremendous investment required for automatic plants unless those plants can be operated steadily."

The metalworking Editor believed the need for stability in production will bring about revolutionary changes in marketing:

"To apply automation to the manufacture of household appliances may require an organized market for second-hand appliances. The manufacturer may stop selling appliances entirely and issue the housewife a service policy with the appliances on loan or at a nominal rent. At the end of five years, they would be replaced by new appliances, making possible a predictable production schedule."

Radically New Products

Mr. Such said that development work of new type aircraft and missiles is spurring the development of new metalworking materials with properties that would have been considered fantastic only a short time ago. "Many of the materials developed in such research will make possible end products for civilian use that even now are considered impossible."

Mr. Such painted a word picture of how smaller machines and appliances will do more work. Automobiles will be half the weight of present cars, with no sacrifice of comfort.

"Insofar as technology is concerned," said Mr. Such, "the road ahead is clear. We soon shall be able to make anything we want to make?

"The big problem that remains as we conquer technology," he declared, "is what are we going to do with it? Will we use it for the destruction of man? Or will we use it for his benefit?"

Salomon Bros. & Hutzler Admits C. J. Gaertner

Clement J. Gaertner

Clement J. Gaertner has been admitted to general partnership in Salomon Bros. & Hutzler, 60 Wall Street, New York City, members of the New York Stock Exchange. Mr. Gaertner has been associated with the firm for many years.

Phila. Secs. Ass'n to Hear J. P. Grace

PHILADELPHIA, Pa.—J. Peter Grace, President of W. R. Grace & Co., will be the guest speaker at a luncheon meeting of the Philadelphia Securities Assocation to be held Tuesday, Oct. 16, in the Wedgewood Room of the Sylvania Hotel, Locust and Juniper Streets.

Edward B. Stokes of Elkins, Morris, Stokes & Co. is in charge of reservations.

Two With Invest. Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard A. Sobil and Robert C. Warner have joined the staff of Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Lee Higginson Adds

(Special to THE FINANCIAL CHRONICLE)

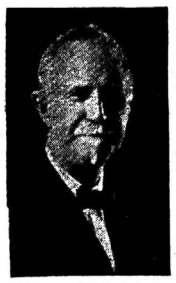
BOSTON, Mass. — Edward G. Culverwell has been added to the staff of Lee Higginson Corporation, 50 Federal Street.

Proposed Four-Day Work Week Threatens Present Prosperity

By ROGER W. BABSON

Fear of decreased production and purchasing-power inflation that would result should AFL-CIO be successful in achieving four-day work week leads Babson Park head to term such a move as "ill-timed and impractical, under present conditions." Favors reducing work week without producing less if automation fills gap, or if depression warrants spreading the work.

Although I am not, and never have been, opposed to Unionism as such, I must take up the cudgel against the recently merged AFL-CIO's forthcoming drive for a four-day week rather than increased wages, as announced by George Meany, President.



Roger W. Babson

For years, labor has striven not only for higher wages and more fringe benefits; but also for shorter hours. Today's standard 40-hour week is a far cry from the conditions that prevailed not so very many years ago, when the 12-hour day was common practice, six days a week. Those back-breaking, soul-destroying times are gone for the U. S., and I am sure that no one regrets their disappearance.

But how far can the pendulum, with safety, now swing in this new direction? I well realize that, as a result of our unprecedented technological and industrial development, it is no longer necessary for men to work the interminable hours of yesteryear in order to produce sufficient goods to meet modern-day requirements. But this change must continue to come slowly.

An Ill-Timed Move

Of course, if labor's drive for a temporary shorter work-week had been launched back in the depression days of the early "thirties," I would have felt different about it. At that time millions of unemployed were walking the streets looking for jobs. If the working hours of all who then had jobs had been reduced, there could have been jobs for everybody. But what might have been right then, *as a temporary expedient*, could be seriously detrimental today to the welfare of all our people.

Since our economy is a vibrant and rapidly growing one, I can see great potential danger in producing less during an impending greater over-all demand. Workers would have to produce 20% more during the four work days to compensate for the lost fifth day. Unless further automation could make up the difference, they would merely be holding their own as far as production is concerned, rather than increasing it to meet expanding requirements. Increased use of automation is a slow and expensive development. It cannot happen in four years or eight years.

A Step Backward

We are living in prosperous times. Our people never had it so good. We are practically fully employed at high wages; our purchasing power is enormous and our every-day living needs tremendous. To retard production under such circumstances would be little short of a crime—a move contrary to that which has made America great. All material prosperity stems from increased character and production. "More things for better people at right prices" is a key to our continued economic well-being.

I forecast that our No. 1 Public Enemy continues to be the threat of further inflation over the longer term. Today's 52-cent dollar is one of the chief reasons why we must pay around $3,000 for an automobile that only a few years ago cost about one-third as much. The best way to lick further inflation or to forestall it is by increasing production, not by producing less. Inflation is the result of an unbalanced ratio between output and consumption. We can boost consumption by intensifying and improving advertising and selling efforts, but there is no way to compensate for lost output. This will be of great importance if we are faced with more competition from foreign goods.

Decreased production is a direct threat to Mr. and Mrs. Consumer. It means fewer goods and higher prices. The proposed shorter work week is ill-timed and impractical, *under present conditions*. We cannot remain prosperous by producing less, but only by producing more. Ten years from now, further machinery developments should give us a four-day week; but it cannot safely come at once.

Anderson Pres. of Tex. Fund Management

HOUSTON, Tex.—At the annual stockholders meeting of Texas Fund Management Company, Thomas D. Anderson was elected President and Director. Mr. Anderson is a former Vice-President of Texas National Bank and currently a member of the bank's advisory board. He replaces William J. Sloan who resigned.

Other officers elected include: J. W. Coles, Vice-President; E. J. Wardell, Vice-President; M. Douglas, Secretary; and P. Cherner, Treasurer.

Directors are Dillon Anderson, former Administrative Assistant to President Eisenhower; J. W. Link, Jr.; Stanley C. Morian; Lawrence S. Reed; Theodore E. Swigart; and Thomas D. Anderson.

Sources of American Strength And Keeping America Strong

By HARVEY S. FIRESTONE, JR.*
Chairman, The Firestone Tire & Rubber Company

Firestone Tire Chairman discusses the sources of America's strength and calls upon business and industrial leaders to intensify their efforts to preserve and defend the individual competitive free-enterprise system upon which world peace, and even the fate of the world, depends. Noting the increased grinding-out of misleading promises making people believe a paternalistic government can best provide security, Mr. Firestone advises making widely known: (1) tried, proven success of our system compared to poor performance of others; (2) the truth about profits and ownership of American business; and (3) that the matter of "business survival" means keeping America strong.

What is the source of America's strength?

It lies in our three fundamental freedoms, spiritual, political and economic, each one complementing and reinforcing the strength of the other. I believe that it is highly improbable that we could have progressed as a nation along any one of these three lines unless we had developed simultaneously along the other two.

H. S. Firestone, Jr.

The tremendous abundance of our natural resources, the superior intelligence and transcendent skills of our people, our republican form of government, our religious freedom and the absence of powerful neighbors that might threaten our security, have all been important factors in making and keeping America strong. But there are other countries that have possessed these advantages to a greater or lesser degree.

Surely, then, one of the great sources of America's strength lies in our economic system, which we call individual competitive free enterprise. And that is what each and every one of us must intensify our individual efforts to preserve and defend.

World Leadership

Our country has been forced by circumstances into a position of world leadership. All eyes are upon us. What we say and what we do influence the whole world. We are the chief proponents of the individual competitive free enterprise system. If we weaken our support of this successful economic system, all the other free nations of the world will crash with us. But if we remain strong economically, if we not only **defend** but also **extend** free enterprise, we shall keep our country so strong that none will dare to attack us or those who stand with us on the side of freedom. Therefore, it is apparent that the **peace** of the world, perhaps even the **fate** of the world, depends upon the efforts we make to keep America strong.

If we have any doubt that America's system of competitive free enterprise is the real source of her strength, we have only to think back to the early days of American history. The early colonists knew before they left Europe that they literally would have to hack their new homes out of virgin forests and that they would be greatly out-numbered in fighting savage tribes. They knew that they faced years of back-breaking toil and constant danger before they could establish themselves. Nevertheless, they came, because they could no longer tolerate the tyranny and oppression of the old world.

Some came to worship God in their own ways. Others came to escape political punishment. Still others came to seek their fortunes. But, whatever their motives, all came to gain freedom of one kind or another. Consequently, it is not surprising that they valued above all else their right to personal liberty. They had an unshakable belief in the power of individual initiative.

To our forefathers, freedom was a heritage so precious that without it life was not worth living. So firmly did they implant this idea into the minds and hearts of their descendants that many years later, when the United States took its place among the nations of the world, safeguards for human liberties were woven into the very fabric of the law of the land. They established a republican form of government. And they laid down the rules for its operation in a living document called the Constitution. They laid the cornerstone of a new economic system, based upon individual competitive free enterprise. The rules for its operation were recorded in the first 10 amendments to the Constitution, which we call the Bill of Rights. In effect, they made it possible for every person to go as far as his will and his skill permit, provided that he does not deprive his fellowman of the same right.

Land of Opportunity

As the years passed and as the United States grew stronger politically and economically, people in other countries regarded America as a land of opportunity. They saw over here a country in which individual initiative was fostered and encouraged. Millions upon millions of them left their homes in foreign lands, where life was regimented and opportunities restricted, and came to our hospitable shores. And, today, millions more wish with all their hearts that they were over here instead of over there.

Yes, the great source of America's strength is our system of competitive free enterprise. **We know it, but so do our enemies.** And, as you would naturally expect, those who seek to destroy our power and our prosperity are concentrating their attacks on this keystone of our success. They know that if it collapses, the entire structure will fall.

Today, approximately one-half of the cost of government is being spent for national defense. For the current fiscal year, the appropriations for the United States Army, Navy and Air Force total about $35 billion. I cannot tell you whether this huge sum of money is too much or too little. But I **can** tell you that no army, no navy, no air force, however large and efficient it may be, can protect the minds and hearts of the American people against the poisonous propaganda which is being fed to them. The only protection against this form of attack is a determined and continuous counter-attack, a barrage of truth which will completely nullify the bombardment of falsehoods to which the American people are being constantly subjected.

Destroyers of Our Freedoms

We in America must guard against taking liberty for granted and regarding it as a natural state of man. We must face the fact that there are forces at work which are striving to deprive us of those fundamental rights for which so many brave men have fought and died. They seek to return us to those dark days when our people were subject to the whims of tyrants.

The origin of these forces lies in foreign lands where people live in poverty, in misery and in fear. They come from countries which call themselves democracies, but where a citizen may not own land or select his own job. He may not be tried by a jury of his peers. He may not stay away from work without good and sufficient reason. He may not employ anyone to work for him. He does not have freedom of speech, freedom of assembly or freedom of religion, and his press and radio are censored by his government.

Surely, with a knowledge of these facts, the American people are too wise, too alert and too intelligent to be taken in by the promises and propaganda of alien doctrines, no matter how subtle or clever they may be. However, this belief in our strength may, in fact, be our weakness. Many of our people simply do not realize that liberty is not a permanent possession but must be cherished and protected.

We must always remember that an integral part of the American character is forever to seek improvements. Americans are never satisfied. They are always looking for ways and means to improve their lives, their fortunes, their jobs and their government. That is one reason why we have been such a progressive and successful nation. But, on the other hand, this same restless spirit may make their minds susceptible to the false promises which are so lavishly made by the disciples of economic systems that seem, at first glance, to offer greater benefits to a greater number of people.

Other Economic Systems Failed

Unfortunately, some Americans do not consider the source of these promises. They do not remember that these highly-touted economic systems have failed miserably in the past in countries where they have been tried. They do not realize that the security which these systems allegedly offer must be paid for by giving up many of the privileges which we Americans believe are the basic rights of man.

Nobody in this world is more secure than a man in a penitentiary. He is fed, clothed and housed. But he is not free to go and come as he pleases. He is watched, guarded and disciplined. There are millions of people in other lands who have that same kind of security. But we Americans have always believed that the only real security lies in liberty and opportunity.

In recent years, propaganda mills both here and abroad have been grinding out misleading promises. As a result, an increasing number of people are led to believe that we should have a paternalistic form of government on which they can lean for security. This is a challenge to business, and it is the high responsibility of business to give convincing evidence that real and lasting security can be more soundly acquired through the American system of competitive free enterprise.

Frankly, I did not come here today to convince you of the worth of our competitive system of free enterprise, or of the superiority of our American Way of Life. As businessmen, I know that you already believe in both. Rather, my purpose is to urge that you personally carry on a crusade to keep America strong. Each one of us should use every means at our command to remind the people of the United States that no other economic system can compare with ours in providing more of the good things of life for more people.

Now, I have no doubt that you will ask: "What can we do about it?" I shall try to answer that question.

What Can We Do About It?

Primarily, it seems to me that we waste entirely too much time selling each other on the superiority of competitive free enterprise. With whom do we usually discuss the subject? The chances are that we talk about it principally with our fellow club members and our friends and associates whose lives run parallel to our own. But do we try to get our ideas over to our employees? Do we talk them over with our children, with Boy Scout Troops, with YMCA members or with farm youth organizations? Do we meet and talk with women's clubs, with the teachers of our children and with church leaders? If we are not doing all these things, and more, we are not helping to keep America strong.

The next question which you will probably ask is: "What shall we tell them?" Frankly, there is much to tell.

What Shall We Say?

First, the United States, although it is a relatively new country, has a higher degree of culture than any other nation. This is exactly contrary to the propaganda which is being poured into the minds and hearts of our people so forcefully and so relentlessly. But the facts are that with less than 7% of the population of the world, we have more young people in high schools and colleges, more musical and literary organizations, more libraries and more distribution of the written and spoken word than all of the other 93% combined.

Second, we have the highest standard of living in the world. We are better-fed, better clothed, and better-housed than any other people on earth. Our health as a nation is unparalleled and it is constantly improving. Our life span grows longer every year.

Third, we hold a position of moral and spiritual leadership. We have more hospitals, more charitable institutions and, probably more churches per capita than any other country. After fighting and winning two World Wars, which cost hundreds of thousands of lives and hundreds of billions of dollars, we gained neither additional territory nor domination over any other country. On the contrary, we helped friend and foe alike to regain political, economic, sociological and spiritual health without asking any favors in return. Can any other nation match this record of generosity and understanding?

Fourth, from a standpoint of material possessions, we Americans have more luxuries, more comforts and more conveniences than anyone else. Free enterprise America has one automobile for every three of its citizens. Great Britain has one for every 15. Communist Russia has one for every 600. Under free enterprise, there is one radio for every two Americans. There is one for every five Britains. Under Communism there is one for every 33 Russians. One out of every three people in free enterprise America has a telephone, compared with one out of seven in Great Britain and one out of 188 in Communist Russia. Even more startling comparisons could be made in such commodities as washing machines, refrigerators, vacuum cleaners, electric lights, food, clothing and almost any other item which contributes to the happiness or welfare of mankind.

Fifth, let us point out that America's system of individual competitive free enterprise is tried and proven successful, whereas other systems are either untried experiments or downright failures. During World War II, free enterprise America turned out more war materials than all the rest of the allied nations combined. Under the impetus and incentive of war, companies which fought each other in good old-fashioned sales competition in peacetime, pooled their resources and worked together as a well integrated team to multiply the output of war materials. Compare that system with the methods used in totalitarian countries, where government control of production restricts the number of enterprises and, consequently, results in a shortage of industrial capacity in time of emergency. It was America that furnished much of the materials for our allies, as well as for our own armed forces. Without those materials, the nations united with us might have been conquered by our common enemies.

The Matter of Profits

Sixth, let us set the record straight about the matter of profits. Let us correct that idea which has been spread by soap-box orators, wily subversives and well-meaning but misled reformers that the workers get the smallest share of the income which manufacturing produces and that the owners get fabulous amounts. Let us tell them that, actually, out of every dollar of sales made by manufacturers, 49 cents go for materials and supplies, of which 36 to 46 cents go to the workers who produce those materials. Nine cents go for taxes, of which four cents are paid to government employees. Six cents go for depreciation, maintenance, repairs and interest, two cents for advertising and one cent for research. That leaves 33 cents from the sales dollar of which the employees get 29 cents. The remaining four cents are profits, of which two cents are set aside for tomorrow's jobs by reserves to buy new machines and to expand the business. The remaining two cents are paid to the stockholders, who are the owners of the machines, the tools and the factory buildings which are used by the workers to increase their earning power. All told, approximately 85 cents out of every dollar of sales by manufacturers go for salaries and wages.

Seventh, let us tell the real facts about who owns American business. Let us correct the impression that it is owned by a mere handful of individuals. Let us point out that under some other economic systems, industries are owned by the **government.** Over here, industries are owned by the **people.** Every one of the 70 million Americans who has a savings account, each of the 115 million who has a life insurance policy, and each of the nine million who has shares of stock or industrial bonds, owns directly or indirectly a part of American industry. All of them have a stake in American business and they should be among the first to insist that business concerns make profits. Otherwise, their savings accounts, their life insurance policies and their securities will be of little value. Anything that hurts business hurts them, personally and individually, because they are an integral part of business.

Social Science and Clergy Survey

How necessary it is to get this story over is shown by a survey among teachers of social studies and clergymen of various faiths throughout the nation, made a

*An address by Mr. Firestone before the Los Angeles Chamber of Commerce, Sept. 24, 1956.

few years ago. The members of these professions believed that only about 70% of the wages and salaries and 30% of the income from dividends, interest and rents were paid to people who earned less than $5 thousand a year. On the contrary, a national income study made by the Bureau of Economic Research of the University of Notre Dame, shows that 90% of all wages and salaries, nearly 70% of dividends and interest and 83% of income from rents were paid to those earnings under $5 thousand a year.

This same study shows that, after payment of Federal taxes, only 5½% of wages and salaries, 17% of all dividends and interest and 9½% of income from rents goes to those earning more than $5 thousand a year. If people with above - average education, such as teachers of social studies and clergymen, can be so far wrong, imagine how completely misinformed the average American must be about this all-important distribution of national income.

Eighth, let us be realistic: Let us stop talking about the good old days, which really may not have been as good as some thought they were. Let us try to win friends and influence the people who really count. Let us stop telling each other how good our economic system is and start telling those who have some doubts about it. Let us show them that we are all playing on the same team, the freedom team, and that we and they must work together if we are to win the all-important game of survival in which our individual, personal liberties are the stakes.

We have all got to realize that we are living in a new and different kind of world. We have never before found it necessary to take an active personal part in defending our way of life.

Times Have Changed

But times have changed! Today, we must reinforce the faith of our people in the American Way of Life. We are faced with the greatest competitive battle in history. It is a battle between those who believe in the American Way of Life and those who seek to destroy it. But competition is no stranger to us. We thrive on it. It is the very life-blood of free enterprise. All of us in this room, and thousands more like us, know how to fight and win against competition. Consequently, the only thing we have to guard against is that we shall be lulled into a false sense of security and that we shall fail to realize the necessity of joining in this crusade.

If individually, we devote the same thought and energy toward waging and winning this battle of economic principles as we have in the past devoted to winning the battle of business survival, I say to you that there is no power on the face of the earth which can destroy the American system of individual competitive free enterprise. By each doing our part, we can and we will succeed in Keeping America Strong!

Form Bernstein & Co.

PITTSBURGH, Pa. — Effective Nov. 1, Bernstein & Co., members of the New York and Pittsburgh Stock Exchanges, will be formed with offices in the Frick Building. Partners will be Chester R. Bernstein, who holds the Exchange memberships, general partner, and David Livingston and Cyril W. Strem, limited partners.

Two With Samuel Franklin

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Everett W. Bosworth and David C. Elder have become connected with Samuel B. Franklin & Company, Crocker Building.

Britain Confronts Free Trade With Lackadaisical Labor

By PAUL EINZIG

Dr. Einzig reports on Britain's economic union compromise solution, to resolve entry into proposed European common market despite strong clamor for Commonwealth preference, which will confine free trade with Western Europe to industrial products while maintaining *status quo* for agricultural products, and spread Customs Union-entry over a 10 to 15 year period. Denies free trade within U. S. A. is comparable to situation in Europe; ponders U. K.'s vulnerable position due to British labor's indifference; and finds, now, no practical difference between Liberal and Conservative parties.

LONDON, England — For some time past the British Government has been struggling with a dilemma. On the one hand it was pressed by its European allies and to some extent the United States to establish closer economic relations with Western Europe to the detriment of Britain's exclusive trading position with the Commonwealth. On the other hand, the Commonwealth Governments and a large section of the Conservative Party was utterly opposed to any watering down of the system of Commonwealth preference. It seems that the time has now come to take a decision. As far as it is possible to ascertain from public statements the Government has chosen a compromise under which free trade with Western Europe would be confined to industrial products while the present *status quo* would be maintained for agricultural products. Moreover, the application of the proposed system of European Customs Union would be spread over a period of 10 to 15 years.

Dr. Paul Einzig

British Worker and Free Trade Union

If this formula should prove to be acceptable to Western Europe, it would go a long way towards the establishment of European free trade, while maintaining the preferential tariffs for the import of raw materials from the Commonwealth. Those in favor of this compromise are inclined to overlook, however, one basic difficulty. It is the unsatisfactory character of the industrial worker compared with his opposite numbers on the Continent.

There can be no doubt that today the British industrial worker is the most pampered and spoiled worker in any part of the world. When recently a German industrialist was asked how to explain the contrast between progress and prosperity in Western Germany and stagnation and recurrent crises in Britain, he replied "In my country work is practically a religious cult. In your country idleness is practically a religious cult."

Full employment has become a fetish in Britain, so that any improvement through intensified competition by Continental manufacturers on the British market may be ruled out. Suppose, for the sake of argument, the French Renault works or the German Volkswagon gained ground in Britain as a result of the abolition of the Customs barriers. The resulting unemployment in the British motoring industries would not be followed by harder work of the British workers, or by a downward adjustment of their wages. The Government would be pressed to find alternative employment for the displaced workers by some artificial means tending to accentuate inflation. There would be an outcry for concealed subsidies leading to sharp disagreements among members of the Customs Union. Indeed, it seems reasonable to assume that, in existing circumstances, Customs Union would not make for better political relations in Western Union but would threaten to disrupt the existing union.

Can It Compare Free Trade Within U. S. A. to Europe

Those who argue in favor of the European Customs Union on the basis of the example of the United States are guilty of the logical fallacy of arguing by false analogy. Even though there may be disagreements or conflicts of interests between member states of the North American Federation, the extent of such clashes is negligible compared with those liable to arise between independent sovereign states thrown together into a Customs Union. There would be no overriding Federal authority above them. Each government would be under irresistible pressure by its parliament and public opinion to stand up for the immediate interests of its own industries. Failure to do so would entail a change of government.

Liberal Party Merger With Conservatives

It is true at the present moment the idea of the European common market has a strong appeal in Britain not only among Liberals and a large section of the Labor Party but even among the by no means inconsiderable section of the Conservative Party. While the diehard Tories are determined to die in the last ditch for Imperial preference, the younger members of Parliament are strongly tempted to support the European movement. Subconsciously and almost imperceptibly the Conservative Party has gradually adopted the program of the Liberal Party. Imperial preference is practically the only major difference between them. If that difference is eliminated there appears to be no practical reasons why the two parties should not amalgamate. It is true, Liberals, in an effort to provide justification for their survival as an independent party, miss no opportunity for stressing differences with Conservatives in the sphere of foreign policy. In practice those differences amount to little more than differences in attitude when in responsible office and when in responsible opposition.

Politically the Conservative Government could not possibly afford to go beyond the formula of European free trade confined to manufactures without risking a disruption of the party. Even that concession is likely to be subject to much criticism. As a gesture it will no doubt encourage Britain's European Allies. In practice even the establishment of full free trade would do little from the point of view in defense of the free world what is not already being done by NATO.

With J. Logan & Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Edward L. Minasian has become connected with J. Logan & Co., 721 East Union Street.

E. F. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Harold B. Newman is with E. F. Hutton & Company, 160 Montgomery Street.

Joins H. L. Jamieson

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Gino Battagin has joined the staff of H. L. Jamieson Co., Inc., Russ Building.

Join Luna, Matthews

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — J. Raymond Hasty, Walter R. Kane, Carter Maddox, Marvin D. Raines and Bill G. Monroe have become affiliated with Luna, Matthews & Waites, Frank Nelson Building, Birmingham.

Dr. Palyi to Address Chicago Inv. Women

CHICAGO, Ill. — Dr. Melchior Palyi, internationally-known economist, financial advisor, author and lecturer, will speak to The Investment Women of Chicago at a dinner meeting to be held on Wednesday, Oct. 17, at the Chicago Bar Association. Dr. Palyi's subject will be "Three Kinds of Optimists."

Dr. Melchior Palyi

Clayton Securities Installs New Wires

BOSTON, Mass. — Clayton Securities Corporation, 79 Milk St., members of the Midwest Stock Exchange, have just installed a new direct trading wire to H. M. Byllesby and Company Incorporated, members of the Midwest and American Stock Exchanges, in Philadelphia, and also one to Grace Canadian Securities, Inc. in New York City, and will reflect their respective trading markets to dealers and brokers in New England.

Two With King Merritt

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — George D. Robbins and Chauncey M. Smith are now connected with King Merritt & Co., Inc., 849 Peachtree Street Northeast.

Courts Adds To Staff

(Special to THE FINANCIAL CHRONICLE)

MACON, Ga. — E. Frederick Griffith, Jr. has been added to the staff of Courts & Co., Persons Building.

Joins Dean Witter Co.

OAKLAND, Calif. — Willis U. Andersen, Jr. has joined the staff of Dean Witter & Co., 409 14th St.

Oil and Gas Producing Industry Confronted With Serious Problems

By ROBERT L. WOOD*
President, Independent Petroleum Association of America

Petroleum Association head poses the prospective alternatives of solvent, self-sufficient domestic industry, or increased dependence upon foreign oil, in pleading for import restrictions tied to 1954 ratio of imports to domestic production. Mr. Wood describes the succession of wage and steel cost rise without price increase, oil well abandonments, and other warning signs of the plight of small producers, responsible for drilling 78% of total wells in 1955. Under expanding conditions, the industry reinvests 60% of gross income from sales to meet demand and would require $51 billion for exploration and development for 1955-1965, which, the writer maintains, is jeopardized by tremendous reserves abroad, low domestic production allowables, and crude price reduction.

Today, this country is in the most fortunate position of any major world power with regard to petroleum supply. Scattered throughout 30 of our 48 states are more than half a million wells now producing about $7,900,000 barrels of petroleum liquids each day.


Robert L. Wood

These wells are capable, within the limitations of sound conservation and engineering principles, of producing an additional 1,500,000 to 2,000,000 barrels of petroleum liquids daily, if required.

This oil producing ability places our country in an enviable position. It is, as President Eisenhower has recognized and stated, a "deterrent to Communist agression."

Periodically, world events bring to bear new emphasis on the importance to America of a healthy and capable oil producing industry within our own borders.

Such emphasis was provided in 1951 with the abrupt seizure by Iran of the oil producing properties in that country. Today, the unsettled Suez crisis gives new emphasis to the importance of maintaining adequate supplies of oil to important areas of the free world.

When confronted with uncertainties such as those presented by the Suez problem, it is reassuring to know that there now exists in the United States adequate oil producing capacity to meet the full requirements of our economy and the nation's security.

Importance of Oil to U. S.

It is also timely to discuss and analyze the proposition of maintaining this country's self-sufficiency in petroleum, one of the world's basic materials in peace, and a primary munition in war.

Oil and natural gas now supply almost 70% of the total energy requirements of the United States. We are, as a nation, therefore, more dependent than ever on adequate petroleum supplies, and more concerned than any other country with the necessity of maintaining and expanding these supplies.

Maintaining a sound petroleum industry capable of meeting our increasing national requirements has been made possible through wise policies by government. Within the petroleum industry, the Independent Petroleum Association of America has been concerned that these policies serve to preserve and strengthen our position as to oil supplies.

As we look to the future, in an era of super-tensions, we are more concerned than ever with preserving conditions which will invite the full search for, development and availability of oil supplies sufficient to our requirements.

The statistical history of the petroleum industry largely removes any guesswork from our ability to meet future requirements. In finding and making available increased oil supplies, the industry has demonstrated that it has few physical limitations.

Only economic conditions can limit or impede our ability to find and produce sufficient domestic supplies of oil and gas in the foreseeable future.

The petroleum industry, like any business, is required to meet certain minimums of performance. These minimums are revealed in the statistical history of the business.

We know, for example, that we must find and develop, each year, at least 1½ barrels of oil for each barrel produced if we are to meet increasing demands and add to our cushion of producible oil reserves.

Reinvestment Cycle

Our operating history reveals that to do this requires the reinvestment of 60% of our gross income from the sale of crude oil and natural gas in the search for, finding and development of new reserves.

In meeting the growing demand and adding to our reserves in the past 10 years, the domestic petroleum industry ploughed back into the ground for exploration, drilling and development a total of more than $30 billion.

In 1955 alone, this reinvestment reached a total of substantially more than $4 billion.

The petroleum producing industry exists and grows only through a continuous reinvestment of its income. Our future depends on this economic recycling operation.

I am not talking about economic theory. Just consider, for a moment, what would have happened if this cycle of reinvestment had been halted in 1946, with no exploration and drilling since that time.

The producing wells in operation in this country in 1946 had a daily productive capacity of about five million barrels. Today, those same wells have a capacity of about 2½ million barrels, because of the depletion of reserves and natural decline in productivity. If there had been no exploration and drilling in the post-war years, therefore, the domestic industry would now be able to produce only about 2½ million barrels a day, less than a third of our total current demands. Without exploration and drilling in these 10 years, we would, in fact, be a dying industry.

Instead of dying, however, the domestic industry has expanded its capabilities each year, until today our total proved reserves of petroleum liquids stand at 35 billion barrels, the highest in history.

If we are to retain our security as to oil, we are faced with the necessity of setting a new record in petroleum reserves next year, and the year following that, and into the years to come.

Invest $51 Billion in Next Decade

If the domestic industry is to achieve this, it will mean the drilling of more and more wells. To generate the income and permit the reinvestment required by this continued expansion, the industry must have the two vital essentials of (1) expanding market and (2) adequate prices for crude oil.

The Chase Manhattan Bank of New York, which has conducted continuing studies of the oil industry's financial requirements, has estimated that to meet increasing demands the domestic industry will be required to expend $51 billion for exploration and development in the period 1955 to 1965.

Although this would be an increase of 60% over expenditures of the past 10 years, it is, in my opinion, a conservative estimate.

This expansion must be financed almost wholly from the sale of crude oil and natural gas.

The funds available for exploration and development in the United States are becoming increasingly inadequate, due to a combination of factors which are having a deteriorating effect on the industry.

Excessive Oil Imports

Among these is an artificial over-supply condition, caused principally by increasing and excessive imports of foreign oil.

The National Petroleum Council, the industry advisory group appointed by the government, has adopted the policy that a healthy domestic oil industry is of paramount importance to national welfare and security; that foreign oil is also important; and that oil imports should serve to supplement domestic availability in fair and equitable relation to domestic production. Domestic producers subscribe to that policy.

The issue is not, and never has been, the elimination or drastic curtailment of imports. The Independent Petroleum Association of America supports a policy of restraining imports within reasonable levels as recommended by both government and industry.

With imports at a historic high, and scheduled at a rate approaching 1½ million barrels a day in the last six months of this year, the domestic industry is compelled to carry at its own expense almost one-fourth of its daily producing capacity shut-in for lack of market.

Through excessive imports, the domestic industry is not only denied a necessary share of an expanding U. S. market, but is experiencing pressures on the crude oil price structure which are having harmful and retarding effects.

Costs Rise and Prices Decline

More than three years ago, in June, 1953, domestic crude oil prices were increased by a nominal 9%. That was the first, last and only general adjustment in crude oil prices in almost nine years—since December, 1947.

Since this one small price increase, the domestic oil producing industry has absorbed four rounds of increases in both wages and in basic steel prices. The recent increases in steel prices alone resulted in price increases in oil country tubular goods ranging up to $21.35 a ton for certain grades of drill pipe.

I know of no other commodity which has continued, year after year, to absorb increasing costs on such a scale.

Instead of realizing a long-overdue increase in the general price of crude oil, the domestic industry has recently experienced a rash of crude oil price deductions. These price cuts have amounted, in some areas, to as much as 32 cents a barrel.

In addition, producers in many areas of the Gulf Southwest and Mid-Continent have been unable to obtain pipeline connections for new wells, and many areas have been subjected to "pipeline proration," a system wherein many purchasers are unable, or unwilling to take the full production allowable permitted by state regulatory agencies.

Fighting for Solvency

Confronted with these situations, many producers are unable to obtain financing for drilling and development commitments in many areas. Bankers and other lending agencies are forced to take a new look at money requirements, when low production allowables and price reductions bring about a four, five or six-year extension of loan payouts on producing properties.

These problems are very real, not just imaginary. They are of real and increasing concern throughout the domestic industry. They are so serious now as to demand practical and specific action if the domestic producer of oil and gas is to continue in a solvent condition.

It is important to recognize that, as a major industry in the United States, the petroleum producing business, unlike many other basic industries, is composed of thousands of business units, large and small.

The small producing units are naturally more sensitive to economic pressures and changes than the larger integrated units in the industry.

Oil Output Depends Upon Small Independents

Yet a large part of the burden of finding and developing oil in America, has rested with the thousands of small, independent producers. Last year, for example, independent producers drilled more than 78% of the total wells drilled in the United States, and almost 85% of exploratory wells drilled in the search for new reserves in unexplored areas.

Because exploration, or "wildcatting" characterizes the operations of the independent producer, he is inherently more susceptible to injury from economic change than the larger units in the industry.

His operations are more often dependent on credit at his bank.

Thus a few cents difference on a barrel of oil, or a few barrels reduction in his production may mean the difference—in many instances—between solvency or insolvency.

Throughout the history of the industry, the success of independents in finding oil has held a direct relationship to the availability and the volume of crude oil markets, stability of crude oil prices, and tax policies which recognize the peculiarities of petroleum exploration, development and production.

The operations of the independent have been particularly sensitive to these factors.

The domestic industry is now faced not only with practical financial problems, but with disturbing uncertainty for the future.

Imports Are Ruinous

It is the uncertainty created by the present unrealistic volume of oil imports that now presents the petroleum industry with its most serious problem.

The problem created by imports is that foreign oil, year after year, continues to take a disproportionate share of the increase in the domestic market. Since 1946, for example, imports have increased six times as fast as domestic production.

Because of the existence of tremendous reserves outside this country available in quantities capable of supplying the entire U. S. market, domestic producers have, with realism, insisted on the necessity of limiting imports in relation to the production of oil in this country.

As a result of continuing and exhaustive study, this principle that imports should bear a reasonable relationship to domestic production has been accepted by both government and industry.

A Special Cabinet Committee, appointed by President Eisenhower, recommended in February, 1955, that in the interest of national security oil imports should be limited to their 1954 relationship to domestic production.

The Cabinet Committee concluded further that if imports exceeded this relationship they could impair the national security.

Subsequent to that report, the Congress enacted last year the National Defense Amendment to the Trade Agreements Act, giving the President authority to reduce imports of strategic and critical materials whenever they threaten to impair the national security. Under the authority of the amendment, the Defense Director, Dr. Arthur S. Flemming, has for the past year directed his efforts at bringing oil imports in line with the defense standard recommended by the Cabinet Committee; and recognized by the Congress.

Despite these efforts, oil imports have increased since 1954—both percentagewise and in relation to domestic production—more than in any two-year period since World War II.

Prospective Alternatives

Consequently, the Independent Petroleum Association of America in cooperation with 18 other associations of domestic producers have petitioned the ODM to recommend to the President that he exercise the authority of the Defense Amendment to limit imports to their 1954 relationship to domestic production. In my opinion, this action is now necessary. The alternatives now presented are the preservation of a sound domestic petroleum industry, or increased reliance for our security on sources of oil outside of the control of our government.

The largest part of the oil being produced today was found more than 10 years ago at relatively low costs. The initial exploration, acquisition of leases, drilling of wildcat wells, and subsequent development drilling involved in finding and developing new oil fields cover a period of five to 10 years. Increasing imports of surplus foreign oil retard these activities by restricting the domestic industry's market and price, thereby limiting both the funds and incentives for domestic exploration and development.

Because of the long-range nature of the oil producing business, the full impact of the increasing imports is not yet evident and will not be felt for several years. However, warning signs are becoming more obvious. The downward trend in the number of active exploration crews, that started in 1954, has continued which points to less drilling and less oil in the future. Higher costs and inadequate prices are reflected in oil well abandonments which, for example, have increased since 1954 by 40% in Kansas, by 43% in Oklahoma and by 49% in Texas. Drilling activity within the U. S. during the past three years has been inadequate to find and develop new reserves in keeping with the increase in oil requirements and U. S. proved reserves have failed to keep pace with the U. S. oil demands during the past two years. These unhealthy conditions will be aggravated unless

*An address by Mr. Wood at IPAA District Meeting, New York, Sept. 14, 1956.

imports are restricted to proper levels.

Justifies Domestic Oil Preservation

I am not ready to admit that this country must become dependent on foreign oil. I believe the domestic petroleum industry is not only worth preserving, but must be preserved. Ample supplies of petroleum within the United States are vital to national security and the preservation of world peace. In addition these domestic supplies protect the consuming public from the uncertainty of foreign oil and from being forced to pay higher prices which could be demanded if this country should become dependent on foreign sources.

Domestic producers of oil and gas have made important contributions to the nation's welfare and security. I believe that the domestic oil producing industry should be preserved as a foundation for our expanding economy and a bulwark of our defense. It must, if this nation is to have developed and available the oil to prevent—and, if necessary, to win—another World War.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Bank earnings continued in the third quarter the improvement that has been evident for many quarters. For 12 New York City banks the average improvement in earnings over the third quarter of 1955 was approximately 16%. If the longer period, a 12-month, is taken the showing is even better, 17.7%. These figures are arrived at after adjustments in the earlier period figures for stock dividends and splits.

The dollar amount of increase in the 12 months was the tidy total of just in excess of $27,500,000. While, of course, taxes absorbed a good proportion of the increased gross from which this sum was derived, they did not take as much as one might suppose because the banks are permitted certain credits in connection with their government obligations holdings. Also, reserves of various sorts cut down their tax bill; one that is assuming substantial proportions is the reserve for "bad debts."

Further offsets are the realized losses in securities holdings which practically all banks encountered in these 12 months. In some cases investments were sold to increase loanable funds, a procedure many banks have followed in order to take advantage of the materially higher interest rates on loans than has been possible on bank-eligible investments. In other instances losses were deliberately assumed by selling investments at the current low bond prices to realize a usable loss for tax purposes, and then replacing the sold out maturities with other maturities which can be carried until higher bond price levels return.

The push to the decidedly higher operating earnings was the continuing shift from investments to loans. In the 12 months these dozen banks had a decrease in governments of about $918,914,000, while loan volume was increasing by $1,947,592,000. Or, in percentages, government holdings declined approximately 15%; loans increased by about 15% also.

That the reduction in governments was not greater was due to the fact that the banks do not permit an imbalance as between investments, cash and loans. The present ratio of governments to total assets runs to the order of about 18%. Of course, there should be added to this their other high grades, which would bring the total to about 23.7%. And, for emergency needs, they have access to the rediscount privilege at the Federal Reserve.

And now, what manner of value do the New York City bank stocks offer to the investor? These stocks are selling at their highs for a long period, using the "American Banker" index. Their rise has not been as spectacular as that of the blue chip industrials when the latter were on their way to their tops. But unlike most other groups of equities, their price-earnings relationship has steadily improved despite the higher market prices.

This is another way of saying that their price improvement has been at a slower pace than the betterment in their operating earnings. In each case, except that of Empire Trust, the Sept. 30, 1956, price-earnings ratio is lower (that is, more favorable from the investor's point of view) than it was a year earlier. The following tabulation brings this out:

PRICE-EARNINGS RATIO

	9/30/55	9/30/56
Bankers Trust	14.2 times	13.7 times
Bank of New York	13.9 "	12.2 "
Chase Manhattan	14.4 "	13.5 "
Chemical Corn Exchange	14.7 "	13.3 "
Empire Trust	11.6 "	11.7 "
First National City	15.2 "	13.5 "
Guaranty Trust	16.7 "	15.5 "
Irving Trust	16.0 "	13.6 "
Manufacturers Trust	13.4 "	12.7 "
J. P. Morgan & Co.	17.4 "	15.2 "
New York Trust	16.5 "	13.7 "
United States Trust	16.0 "	11.9 "

NOTE—Hanover Bank is not used because its method of reporting earnings differs from that of the other banks.

With Samuel Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Carleton H. Fisher has been added to the staff of Samuel B. Franklin & Company, 215 West Seventh St.

Two Join Franklin

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Lewis J. Loughran and Wellington A. Wood have become connected with Samuel B. Franklin & Company, Crocker Building.

Henry G. Isaacs With Pan American Secs.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Henry G. Isaacs has become associated with Pan American Securities, 561 Northeast 79th Street. Mr. Isaacs was formerly Vice-President of First Southern Corporation. Prior thereto he was with Francis I. du Pont & Co. and in the past was in the investment business in Norfolk, Va.

The Outlook for Money Rates

By DR. MARCUS NADLER*
Professor of Finance
Graduate School of Business Administration, New York University

Finance Economist Nadler anticipates secular interest rate trend revolving around wage-price pattern; and current excess capital demand, vis-a-vis savings, corrected by possible moderate business decline next year—due to temporary surplus production and subsiding commercial-industrial activity.

So long as the economy is operating at capacity, the demand for bank credit and capital is great and the latter is outrunning savings, the money market will be tight and interest rates will remain high. The Reserve authorities, however, will make reserves available to enable the banks to meet the seasonal requirements of industry and trade and to facilitate the Treasury's borrowing. Tight money usually has its effects and there are no reasons to believe that this will not be the case this time.

Marcus Nadler

A moderate decline in business activity sometime next year is quite possible caused, among other factors, by a temporary excess of productive capacity over effective demand and by the distinct possibility that the commercial and industrial building boom will subside. A decline in business activity will reduce the demand for credit and capital and will bring about a change in the credit policies of the Reserve authorities and a decline in money rates.

The outlook for money rates is as follows:

(1) The low rates which prevailed from the early 1930's to March 1951 are a thing of the past.

(2) In the future money rates will fluctuate in accordance with business activity. The business cycle has not been abolished and a free and dynamic economy like ours, while it is capable of preventing serious depressions, is bound to have its ups and downs. A decline in business activity accompanied by a moderate increase in unemployment sometime next year is likely.

(3) The long-range (secular) trend of interest rates will depend to a large extent on the movement of commodity prices and the cost of doing business. If the present spiral between wages and prices is a permanent phenomenon of the American economy and prices and wages continue to rise, then the secular trend of interest rates with intermittent swings is upward.

(4) Increased productive capacity and productivity plus increased competition plus the fact that the increase in income has not been uniform lead to the conclusion that the present spiral between wages and prices is a temporary phenomenon and that after the present spiral has run its course a period of relative price stability will set in.

*Summary of an address delivered by Dr. Nadler before the Investment Seminar of the N. Y. State Bankers Association, New York City, Sept. 28, 1956.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

PARIS, Ky.—William D. Shriver is now affiliated with King Merritt & Company, Inc. He was formerly with Waddell & Reed, Inc.

With Sterling Secs.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Frank E. Adams, Richard P. Cutler, Charles M. Groutage, William J. Lytton, Daniel A. Riley, Austin C. Tozier and Edward G. Williams have become affiliated with Sterling Securities Co., 714 South Spring Street.

With Security Planning

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla. — Richard C. Geisinger and Ernest A. Keethler, have become affiliated with Security Planning, Inc., Harvey Building.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The First National City Bank of New York has developed a new device for teaching selling and public relations skills to tellers and other front-line bank people. Known as a "pocket sound film," the training device consists of three recording (33⅓ rpm) and three picture sequences printed on accordion folders, a novel adaptation of the conventional slide-sound film. The pages of each folder are turned by the viewer as the records are played. First National City is the first bank to adopt the pocket sound film which, it is stated, has been successfully presented to nearly 2,000 branch employees including tellers, receptionists, personal credit interviewers, telephone operators, special patrolmen and all others who meet the public. Known as "Tellers Tell How to Build Bank Business," the program covers the following subjects: (1) How to Hold Present Accounts; (2) How to Change Stumbling Blocks into Stepping Stones; (3) How to Corral New Accounts.

* * *

THE FIRST NATIONAL CITY BANK OF NEW YORK

	Sept. 30,'56 $	June 30,'56 $
Total resources	6,968,361,347	6,969,629,898
Deposits	6,226,088,377	6,249,720,388
Cash and due from banks	1,574,994,524	1,611,279,820
U. S. Govt. security holdgs.	1,126,859,585	1,113,532,813
Loans & discts.	3,536,116,058	3,477,523,982
Undiv. profits	66,115,706	62,634,360

* * *

THE BANK OF NEW YORK

	Sept. 30,'56 $	June 30,'56 $
Total resources	498,679,549	508,408,684
Deposits	435,105,440	451,878,588
Cash and due from banks	133,149,787	150,158,350
U. S. Government security holdings	84,449,922	96,101,165
Loans & discounts	245,236,246	235,225,062
Undivided profits	7,778,681	7,426,908

* * *

CHASE NATIONAL BANK OF NEW YORK

	Sept. 30,'56 $	June 30,'56 $
Total resources	177,933,600	172,794,432
Deposits	155,203,782	148,256,815
Cash and due from banks	47,455,782	46,550,097
U. S. Government security holdings	46,027,400	43,036,745
Loans & discounts	68,524,046	65,718,525
Undivided profits	2,124,906	1,862,993

* * *

BROWN BROTHERS, HARRIMAN & CO., NEW YORK

	Sept. 30,'56 $	June 30,'56 $
Total resources	216,137,143	225,229,656
Deposits	182,305,136	191,076,913
Cash and due from banks	39,789,914	49,029,906
U. S. Govt. security holdings	42,138,524	41,937,683
Loans & discounts	73,015,773	72,479,774
Capital and surplus	14,545,284	14,525,284

* * *

COLONIAL TRUST COMPANY NEW YORK

	Sept. 26,'56	Dec. 31,'55
Total resources	$72,486,799	$74,610,839
Deposits	66,110,185	68,522,758
Cash & due from banks	18,419,910	20,264,308
U. S. Govt. security holdings	16,472,206	20,016,720
Loans & discounts	32,611,552	29,959,664
Undivided profits	636,868	524,883

* * *

THE STERLING NATIONAL BANK & TRUST COMPANY OF NEW YORK

	Sept. 30,'56 $	June 30,'56 $
Total resources	145,240,799	145,557,517
Deposits	132,354,980	132,612,359
Cash and due from banks	28,315,326	34,811,507
U. S. Govt. security holdings	32,736,853	32,729,662
Loans & discounts	80,896,956	74,911,088
Undivided profits	1,756,383	1,725,379

* * *

THE CORPORATION TRUST COMPANY NEW YORK

	Sept. 26,'56	Dec. 31,'55
Total resources	$3,553,910	$3,518,140
Deposits	312,015	721,772
Cash and due from banks	2,032,310	1,954,720
U. S. Govt. security holdings	431,288	431,315
Undivided profits	516,103	279,410

UNDERWRITERS TRUST COMPANY NEW YORK

	Sept. 30,'56	June 30,'56
Total resources	$40,931,327	$41,263,484
Deposits	36,912,879	37,655,544
Cash and due from banks	5,831,789	5,821,491
U. S. Govt. security holdings	17,446,074	17,451,649
Loans & discounts	13,624,243	14,360,029
Undivided profits	1,422,261	1,413,250

* * *

CLINTON TRUST CO., NEW YORK

	Sept. 28,'56	Mar. 30,'56
Total resources	$35,369,786	$35,344,335
Deposits	32,386,677	32,550,249
Cash and due from banks	8,763,821	8,570,542
U. S. Govt. security holdings	10,116,883	9,785,155
Loans & discounts	13,238,266	13,756,206
Surplus and undivided profits	1,298,382	1,260,764

* * *

The board of directors of **The Chase Manhattan Bank of New York**, on Oct. 3 raised the quarterly dividend from 55 cents to 60 cents per share, payable Nov. 15, 1956, to holders of record Oct. 11, 1956, and at the same time recommended to stockholders an increase in the capital stock of the bank from 12,000,000 to 13,000,000 shares. Nov. 13, 1956, was set as the date of a special meeting at which stockholders will be asked to authorize this increase. Notices of the meeting will be mailed to stockholders on Oct. 5. If authorized, the 1,000,000 additional shares would be offered to stockholders for subscription at the rate of one new share for each 12 shares held. The board later will determine the record date (probably Nov. 15), the offering price, and the terms of any underwriting, all subject to market conditions.

The dividend action by the board increases the regular quarterly dividend to 60 cents per share ($2.40 annual rate) from 55 cents per share ($2.20 annual rate), the latter amount having been paid each quarter since the merger of **Chase National** and **Bank of Manhattan** on March 31 of last year. The directors believe that the increased annual dividend rate of $2.40 can be maintained on the 13,000,000 shares. From the proceeds of the sale of the additional 1,000,000 shares of the par value of $12.50 each, $12,500,000 would be added to the capital of the bank, thus increasing capital to $162,500,000. The remainder would be added to surplus. The aggregate capital funds of the bank on Sept. 30, 1956, amounted to $534,113,290, consisting of capital of $150,000,000, surplus of $300,000,000, and undivided profits of $84,113,290. In the letter to the stockholders, John J. McCloy, Chairman, and J. Stewart Baker, President, commenting on the additional capital funds noted that "it is the opinion of the directors that this step is constructive and will serve the best interests of the stockholders and customers."

* * *

The appointment of Frank C. Grady as Assistant Vice-President and Frederic D. Carter, Jr., Donald F. Maher, William R. Pauls, E. Ludwig Schafer, Cornelius Sweeney and George D. Templeton, as Assistant Secretaries of the **United States Trust Company of New York**, was announced on Oct. 5 by Benjamin Strong, President. Mr. Grady joined the company in 1948. In 1954 he was appointed Assistant Secretary. He is in the investment department; Mr. Carter joined the company in 1949 and is with the investment department; Mr. Maher joined the company in 1930 and is with the trust administration department; Mr. Pauls, who joined the company in 1933, is with the bond and mortgage department; Mr. Schafer joined the company in 1936. He is with the operations department; Mr. Sweeney joined the company in 1929 and is in the trust administration and accounting department; Mr. Templeton joined the company in 1939 and has been associated with the operations department since that time.

* * *

Following a meeting of the Board of Directors of **The New York Trust Company**, at 100 Broadway, **New York** held on Oct. 9, Adrian M. Massie, Chairman of the Board, and Hulbert S. Aldrich, President, announced the following promotions: Louis Auer, V, and John L. Street, Jr., Assistant Treasurers were appointed Assistant Vice-Presidents; Sherrill P. Newton, Assistant Secretary was appointed an Assistant Vice-President; Frank A. Mutchler, Jr., Assistant Trust Officer was appointed a Trust Officer; Edward R. Bucklin and Alan Peters were appointed Assistant Treasurers.

* * *

CITY BANK FARMERS TRUST COMPANY, NEW YORK

	Sep. 30,'56 $	June 30,'56 $
Total resources	140,378,309	145,524,607
Deposits	100,902,634	106,592,409
Cash & due from banks	25,772,841	33,894,180
U. S. Govt. security holdings	82,582,890	79,587,896
Loans & discounts	1,872,387	1,961,037
Undivided profits	12,942,744	12,917,871

* * *

BANKERS TRUST COMPANY, NEW YORK

	Sept. 30,'56 $	June 30,'56 $
Total resources	2,607,793,830	2,711,111,453
Deposits	2,281,960,480	2,413,571,486
Cash and due from banks	626,345,474	675,942,270
U. S. Govt. security holdgs.	373,592,868	450,407,955
Loans & discs.	1,484,402,467	1,496,007,519
Undiv. profits	51,166,931	50,206,576

* * *

THE HANOVER BANK, NEW YORK

	Sept. 30,'56 $	June 30,'56 $
Total resources	1,851,854,200	1,835,500,533
Deposits	1,646,397,643	1,640,665,260
Cash and due from banks	570,141,173	508,633,881
U. S. Govt. security holdgs.	240,608,229	296,110,667
Loans & discts.	904,270,546	909,264,035
Undiv. profits	20,042,284	25,412,205

* * *

FEDERATION BANK AND TRUST CO., NEW YORK

	Sep. 30,'56 $	June 30,'56 $
Total resources	104,646,230	103,875,330
Deposits	89,048,335	83,463,929
Cash & due from banks	17,041,767	14,972,744
U. S. Govt. security holdings	27,626,315	27,633,783
Loans & discounts	49,477,476	50,891,496
Undivided profits	789,987	774,476

* * *

COMMERCIAL STATE BANK AND TRUST COMPANY OF NEW YORK

	Sep. 30,'56 $	June 30,'56 $
Total resources	103,345,490	103,162,117
Deposits	92,607,061	92,845,852
Cash & due from banks	18,525,742	16,688,414
U. S. Govt. security holdings	24,826,966	26,858,577
Loans & discounts	56,507,082	56,055,004
Surplus and undivided profits	1,915,103	1,831,424

* * *

On Oct. 10 **The Dime Savings Bank of Brooklyn**, established a new type of service at its Flatbush branch, Avenue J and Coney Island Avenue. Beneath a canopy bearing the words, "Depositor's Curb Service" on the Coney Island Avenue side of the bank building, a bank employee was on hand to receive deposits and transact other business for motorists. "We believe with this innovation we have gone a step further than the drive-in banking window idea," said George C. Johnson, President of the bank. With this arrangement, a customer need only drive alongside the curb on Coney Island Avenue, and tell the attendant the nature of his business. The bank employee will step to a teller's window a few feet away at the sidewalk line, transact the customer's business, return to the car and the motorist will be on his way in far less time than if he conducted his banking business in the normal manner. This service is equally as fast as the widely-used drive-in banking windows." The curb service will be in operation from 7:30 a.m. to 9 p.m. Monday through Friday, Mr. Johnson said. Pedestrians also can transact business during those hours at the sidewalk window.

* * *

NATIONAL BANK OF WESTCHESTER, WHITE PLAINS, N. Y.

	Sep. 30,'56 $	June 30,'56 $
Total resources	140,638,368	138,008,884
Deposits	127,319,530	124,999,894
Cash & due from banks	18,575,108	17,524,786
U. S. Govt. security holdings	45,288,096	41,533,431
Loans & discounts	48,346,131	50,909,164
Undivided profits	1,629,997	1,550,524

* * *

George A. Mooney, New York State Superintendent of Banks, disapproved on Oct. 3 a merger application whereby the **Manufacturers and Traders Trust Company, a Buffalo, N. Y.**, institution, would have absorbed the **Liberty Bank of Buffalo.** The Superintendent based his action, in large part, on his continuing policy of avoiding, wherever possible, undue concentration of bank assets in any given area. He asserted: "I cannot, at this time, establish a precedent which would eliminate asset concentration as a factor in supervisory consideration of mergers, and also invite drastic legislation which might adversely affect sound bank mergers in the future. Further, affirmative action on my part in the present instance, might have acted as a catalyst to the merger trend throughout the entire state."

Mr. Mooney explained that he had requested an opinion of the Attorney General on the question of whether, apart from any other consideration, the proposed merger would constitute a violation of the anti-trust statutes of this State. The Superintendent stated that the Attorney General had indicated that the proposed merger would not contravene those statutes. The Superintendent pointed out that his decision to disapprove the proposed merger was based on the belief that, despite the Attorney General's legal opinion, approval would have been contrary to the orderly development of sound banking and the public interest. It is in this area that the Banking Superintendent made his decision. He observed that in 1945, there were 32 commercial banks in Erie and Niagara Counties. Mergers have reduced this number to 16. Mr. Mooney noted that, while merged institutions in industries other than banking are often replaced by new companies, there have been few requests for new commercial bank charters in New York State in recent years. The Superintendent pointed out that, in this instance, approval of the proposed merger would have reduced present banking facilities in Buffalo, as some existing branch offices would have been closed. Further, the elimination of the only "medium-sized" bank in the city, he continued, would have reduced from three to two the number of institutions to which the small businessman might apply for credit.

* * *

The New York State Banking Department as of Sept. 21 approved plans for the merger of the **First National Bank of Richfield Springs, N. Y.**, into the **State Bank of Albany, N. Y.**, under the title of the last named bank. On the same date (Sept. 21) the Banking Department approved a certificate of increase of capital stock of the State Bank of Albany from $4,606,500, consisting of 460,650 shares of the par value of $10 each, to $4,794,000, in 479,400 shares of the same par value.

Incident to the merger of the First National of Richfield Springs into the State Bank of Albany the Banking Department has likewise also authorized the State Safe Deposit Company of Albany to open and maintain a branch office in Richfield Springs.

* * *

The New York State Banking Department approved on Sept. 13 a certificate providing for an increase in the capital stock of the **Erie County Trust Co. of East Aurora N. Y.** from $250,000, consisting of 10,000 shares, par $25 each, to $375,000, in 15,000 shares of the same par value.

* * *

As of Sept. 17 the capital of the **First National Bank & Trust Co. of New Haven, Conn.** was enlarged to $3,000,000 from $2,500,000, the addition having resulted from the sale of $500,000 of new stock.

* * *

The proposed consolidation of the **First National Bank of South River, N. J.**, and the **First National Bank of Jamesburg, N. J.**, was approved on Oct. 2 by the stockholders of both banks. As indicated in our issue of Sept. 20, page 1190, the consolidation, to become effective Oct. 22, will be effected under the name of the **First National Bank of South River** and under the charter of the **First National Bank of Jamesburg.**

Wire photograph of Georgi Malenkov in one of his happier moods

"Thank you, America, for what you're doing to your railroads!"

We're not alarmists, but the current plight of America's railroads must give quite a chuckle to the men in the Kremlin.

Our railroads, after all, are our first line of transportation defense. *In World War II they carried 90% of all military supplies, and 95% of all military personnel.*

And right now the railroads are having a rough time handling present demands—to say nothing of what they'd be up against in a national emergency.

At this very moment the nation is suffering from a shortage of over 100,000 freight cars.

You may not realize it, but the situation is so serious that our farmers and other producers can't get their products to market. Boats have been tied up in harbors for days on end, waiting for freight cars to unload their cargo.

What would happen if the Suez crisis suddenly burst into flame? What would happen if the Reds suddenly struck somewhere else?

It's not a pleasant thought. The bald truth is that our railroads are being starved to death through political regulation. They lost over a half *billion* dollars last year on their passenger business alone. They are fighting for their lives in the face of *subsidized* competition from highly prosperous users of airways, waterways and highways. They are being hit right and left by murderous and discriminatory taxes.

The Central's answer: 17,000 new freight cars

In spite of all these handicaps, the Central has ordered more than 17,000 new freight cars, at a cost of over $178,000,000. That's right—over seventeen *thousand* freight cars—enough to make a train that would stretch almost from New York to Washington.

You can bet they'll be a big help. But this is only the beginning of what we want to do and *would* do if we were allowed to stem our losses and run our business the American way instead of the Russian way. (The Russian way is without profit.)

Not until the railroads are allowed to make a fair return—just like America's retail stores, coal operators, manufacturers and public utilities—can we be expected to replace our worn-out equipment. (*More than one-third of U. S. freight cars are over 25 years old . . . and more than two-thirds of U. S. passenger cars are more than 25 years old!*)

Not until the railroads are allowed to make a fair return can we give the nation the truly modern railroad service that present-day technology makes possible.

And, far more importantly, not until then can our railroads be ready to meet any crisis—of whatever magnitude—that the men in the Kremlin could precipitate.

New York Central Railroad

Continued from page 14

The Anatomy of Investmentry: Goods, Gold and Guesswork

or more of their portfolio in common stocks. In fact, a good many investors keep all or nearly all of their capital in common stocks most of the time. And there is sound reason for using a larger proportion of stocks than was advisable in earlier years.

Improved Safety in Stocks

Today the investor actually increases his safety by using lighter and stronger materials for his hull and keel, and by stepping up his motive power. Money and bonds have not proved so safe of late years. Even in the depression of 25 years ago, bond holders in the aggregate were but little better off than shareholders.

Since 1932 common stocks have greatly increased their factor of safety. It would be strange, indeed, if while machines and roads and other tools of many were being made safer, investing should not share in the process. We note here just a few of the new safety devices.

Information about publicly held corporations is today prompt and adequate with only occasional lapses. Corporate management has improved. Corporate morality has improved. Corporate executives may no longer profit by sales and purchases made on inside information, legally, that is. Most large corporations now operate in several industries and have widely diversified their products, thus reducing the serious impact of individual industry cycles.

Our stock market is safer than ever before, safer probably than any other world market, by reason of the restricted possibility of manipulation. In the 1920's you could put up $10, borrow $90 and buy a $100 share of stock. Today you must put up at least $70, borrow at most $30 to buy a $100 share. This restriction can be tightened or loosened by the Federal Reserve Board. In the 1920's you could sell shares short day after day as the price fell without notifying even your broker that you were making a short sale. In the vernacular, you could jump on a falling market and ride it down. Today you must tell your broker that you are selling short when you place your order, and you may sell short only at a price higher than the last sale recorded. Values and prices naturally and properly fluctuate with the normal change of conditions. Manipulation for the purpose of widening fluctuations is economically unsound and socially corrupt. I rest fairly easy when I can feel that money borrowed on margin is substantially offset by capital devoted to short selling. Perhaps I should add "and vice versa."

Finally, and this does not exhaust the roster of improvements to investment safety, finally the public is far better informed financially than ever before. This accomplishment can be credited largely to professional investors, a product of the last quarter century, and particularly to the educational activities of numerous well-managed investment trusts. And in all likelihood, the late unlamented depression of the thirties contributed a stiff impetus to a tender section of the investor's anatomy. At any rate, investing today involves less risk than it did 25 years ago.

Maladies of the Investor

The anatomy of the captain, the operator of this investment vehicle, "Mr. Investor" himself, now deserves a little friendly consideration. We mention only two of the various melancholies with which investors, young and old, are often afflicted.

The symptoms of one are inertia and hardening of the gray cells; of the other, bulging of the eyes and watering of the mouth. The first we shall call "The Fixed Idea," the second, "The Bright Idea."

The Fixed Idea is recognized in such familiar remarks as these:

(1) "Father made his fortune in American Sugar and I wouldn't sell a share he left me." (Maybe father would, if he were here today.)

(2) "J. P. Morgan financed that company 40 years ago, still does. If it's good enough for J. P., it's good enough for me." (When he underwrites an issue, Morgan acts as a merchant of securities not as an investor.)

(3) "I won't sell Hudson Bay at a loss. I'll sell it when it comes back to what I paid for it." (It may never come back. And if and while it does, some better issue it could well have been exchanged for may have trebled in value.)

More power to the investor who knows when and where to remain inactive, who "sits firmly on a good thing." But investing needs a leavening of adventure, exploration, advanced thought. Constant change is forever chipping away at tradition.

The "Bright Idea" afflicts the investor who recalls the wonderful missed opportunities he had to become rich overnight; who has just heard of a wonderful new process developed by the Eureka Company and hurries to trade one of his slow items for this new one; who learns that fabulous Ford Motor is to be distributed to the public and places an order for twice the amount he wants; who constantly prods his investment structure, impatient for results. The tide for him is too slow. He must ride in on the waves and he ships too much water.

More power to the investor who acts when action is advisable. But investing needs a strong leavening of long-term stability, a nice balance between inertia and initiative. An old proverb tells us fairly well how to attain this balance; "Be not the first to try the new, nor yet the last to use the old."

Common Stocks Recommended

Exactly how to invest this three-quarter million dollars each of you wishes to keep safe, I cannot tell you. But the individual circumstances of yourself and your lifelong partner, Uncle Sam, must be taken into account. Nevertheless, I suggest that you give careful thought to placing a large part of your fund sooner or later in sound, suitable and attractive common stocks in a dozen different industries. In so doing, you will rely on a cross-section of the best enterprise of this best country in

the world. No safer course is possible.

Weather Forecast

A word about Mark Twain's favorite subject, the weather. Today the economic condition of our country seems sound and bright, but in the best of times industry and commerce are never free of difficulties. Fortunately, in the worst of times things are rarely as bad as they seem.

Our people have and should always have plenty of work ahead. We are plenty in number to do the work. We have the brains. But the will and the willingness to work, and to work together fairly and steadily, are not always at par, and never will be—always at par. So change in the economic weather is one sure thing to be counted on.

Ideal economic weather would probably encompass a reasonably distributed amount of sunshine, clouds, rain and occasional storms. A judicious admixture of adversity with prosperity is essential to the well-being of mankind. The tree protected from the wind is not the strongest tree. We begin to have too much protection, too much security, in these United States of America.

I see immediately ahead on the business horizon no serious storm, but occasional squalls. The country is in an era of scientific development and progress which will raise still higher our standard of living, bar war and Act of God. But somewhere along the way storms will surely come. Let us fervently hope for minor storms with comfortable breathing spells between, rather than the alternative, a delayed but high-pressure hurricane.

To Conclude

Let me repeat three points to remember:

(1) The man who keeps what he saves does not avoid risks. He takes risks wisely and manages them intelligently. He invests. Investing is speculation engineered for safety.

(2) Avoid "The Fixed Idea" and "The Bright Idea." Either can be deadly. "Be not the first to try the new, nor yet the last to use the old."

(3) Change, constant change, is the order of the universe, and eventually, change means progress.

Now to Mark Twain on ships, we add this final thought:

"Some ships go east and some go west
Whilst the self-same wind doth blow;
For it's rudder and sail, and not the gale,
Decide where the ship shall go."

With Smith, La Hue

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Joseph J. Taveggia is now with Smith, La Hue & Co., Pioneer Building.

C. E. Merrill Interest Testamentary Trust

The substantial financial interest that Charles Edward Merrill held in the investment firm of Merrill Lynch, Pierce, Fenner & Beane, at the time of his death, will remain in the firm, of which he was a founding partner, it was announced by Winthrop H. Smith, Managing Partner of the firm.

Mr. Merrill's capital in the firm, amounting to $5½ million, will be placed in a testamentary trust for the benefit of colleges, churches and hospitals. The Will specifically directs the trustees to leave the entire capital in the firm for five years and specifies that it was Mr. Merrill's "sincere wish" that the trustees leave the capital in the firm for an additional five years. The Will further authorizes them to leave it there indefinitely.

The trust will, in effect, be a special partner of the firm with a 10% interest in the profits of the firm. The beneficiaries, all of whom are colleges, churches and hospitals, will share in the trust fund in accordance with a formula set up by Mr. Merrill in his Will.

From the standpoint of the management of the firm, the Merrill Lynch Partners' Agreement provides that Winthrop H. Smith will succeed to the position of Directing Partner and will continue to perform the duties of Managing Partner. Mr. Smith became Managing Partner of the firm in 1940 when the merger of several firms was made and the present Merrill Lynch organization came into being. When Mr. Merrill became ill in 1944, and was forced into semi-retirement, Mr. Smith took over most of the duties of Directing Partner and has been active Chief Executive of the firm since that time.

Mr. Smith has spent his entire business career in the brokerage and investment banking business having started with the Merrill Lynch Company, a predecessor to the present firm, in 1916, the same year he graduated from Amherst College.

Brown Brothers Harriman 25-Yr. Club in 10th Yr.

The 25-Year Club of the New York office of the private banking firm of Brown Brothers Harriman & Co. held its 10th anniversary dinner Oct. 5. The 21 members of the Philadelphia club attended as guests.

Representing in the aggregate more than 25 centuries of service in the 138-year-old banking firm, which maintains offices in Boston, Philadelphia, and Chicago, the club has 75 active members and 23 retired honorary members.

David G. Ackerman was elected President, succeeding Frederick H. Kingsbury, Jr.; Francis D. Byrne was elected Vice-President; Edward D. Murphy, Treasurer; and Elizabeth I. Nixon, Secretary.

Eleven of the firm's 18 partners are members of the club: David G. Ackerman, Moreau D. Brown of Philadelphia, Senator Prescott S. Bush, E. Roland Harriman, Governor W. Averell Harriman, Frederick H. Kingsbury, Jr. Robert A. Lovett, Thomas McCance, Ray Morris, Harold D. Pennington, and Knight Woolley.

With Taiyo Secs.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Midori Matsubara is now affiliated with Taiyo Securities Company, 208 South San Pedro Street.

Frank Knowlton Adds

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Clifford D. Vargas is now with Frank Knowlton & Co., Bank of America Building.

Exch. Firms Name E. J. Hunt for Pres.

DETROIT, Mich. — E. Jansen Hunt, partner and syndicate manager of White, Weld & Co., New York City, has been nominated President of the Association of Stock Exchange Firms, it was announced from the Statler Hotel where the Board of Governors of the Association is holding its Fall Meeting. Lloyd W. Mason, Paine, Webber, Jackson & Curtis, New York, and Lloyd C. Young, Lester, Ryons & Co., Los Angeles, have been nominated as Vice-Presidents and James G. Tremaine, Gude, Wimmill & Co., New York, as Treasurer. Elections will take place at the annual meeting in New York on Nov. 14.

E. Jansen Hunt

Mr. Hunt has served as a Governor of the Association since 1951 and has been Chairman of its Public Relations Committee since 1953. Mr. Hunt is Chairman of the New York Group and a Governor-designate of the Investment Bankers Association of America.

Dominick & Dominick Open NY Branch Office

The investment firm of Dominick & Dominick, members of the New York, American and Toronto Stock Exchanges, has announced the opening of a New York City branch office in the new Socony Mobil Building at the corner of Lexington Avenue and 42nd St. The office is under the management of Mason B. Starring III.

Joins Richard Kohn

NEWARK, N. J. — Simon H. Gross has become associated with Richard E. Kohn & Company, Newark investment firm, as a customer's broker, it was announced by Richard E. Kohn, senior partner. Mr. Gross was formerly connected with Bache & Co., New York City, and Francis I. du Pont & Co., Newark. Before that he was affiliated with National Silver Co., manufacturers.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government's new money financing, through the medium of a 91-day Treasury bill, was very well received, since it was tailored for the commercial banks and at the same time to meet the tight money conditions. The needs of the Treasury were taken care of, without pushing up the cost of borrowing, by making payments of the new bills through the tax and loan account. Also the 91-day financing, although of a temporary nature, tided the Government over the election period. (The weekly offering of Treasury bills, incidentally, went above 3%, the highest yield since March 1933.) Money market specialists are of the opinion that the Treasury will replace these bills when they mature with securities that will come due in the June tax period. By using a real short-term maturity the Government has cleared the decks so that the present or a new administration will have a more or less free hand as far as future financing is concerned.

It is indicated that the Treasury will be in the market again for new money sometime in the last month of the year, with borrowings at that time probably in the neighborhood of $1,500 million, although the exact amount to be obtained cannot be definitely predicted now. It had been believed that the Treasury would split its new money raising operation into two parts, although it had not been generally felt that the shortest Treasury maturity would be used in the way in which it was.

Money Ease Expected

Although the predictions as to what will take place in the money markets between now and the end of November are not an unimportant money market force, it seems as though the current opinions are leaning towards the side of a temporary period of some ease. It is being pointed out that the Treasury has a rather sizable maturity to take care of the first of December. The slightly more than $9 billion of certificates which come due on that date will have to be refunded and, shortly thereafter, the recent offering of Treasury bills will also have to be met one way or another. These maturities are not likely to bring about any further tightening in an already very restricted money market.

Good Buying in Fixed-Income Issues

The tight money policy is showing no signs of being changed yet, even though the market for some interest bearing obligations seems to indicate prices of these securities have reached levels which are attracting more funds than was the case not so long ago. It is reported that institutions which have been using nearly all of their funds for mortgages, are now allocating substantial amounts for the purchase of high yielding new corporate obligations. Also, it is indicated that switches are being made out of Governments and other corporate bonds into the new issues that are coming into the market.

It may be too soon to predict that the downtrend in prices of fixed income issues has been arrested but, on the other hand, there appears to be a not unimportant amount of funds available for the purchase of these securities, which is a significant development. There is also evidence that well informed money market specialists are not hesitating to recommend the purchase of bonds, because they are of the opinion that price of these securities indicate they are now in a buying range.

New Corporate Financing Dominates Market

The new issue market is the bellwether of the entire bond market now, with the corporate offerings more in the forefront at this time than are the new offerings of tax-exempt. Nonetheless, the levels at which the latter obligations are being offered are attractive to an increasing amount of funds, with individuals and trust accounts among the important buyers of these obligations. There is no question but that the offerings of new securities, which are being made in large amounts, will keep interest rates on the high side. However, many of these issues have been well taken, so that a premium above the original prices has been witnessed. This is taken to mean that the new issue market is in good shape and the pricing of new offerings has been on the favorable side as far as investors are concerned.

Interest in Government Issues Lean

The Government obligations are still not attracting very much attention, because of the competition from new offerings of corporate and tax exempt securities. Nonetheless, there is some buying going on in selected issues of Treasuries, with the intermediate term obligatiaons being the favored ones with those that are making commitments in Government securities. There are also reports of public pension fund purchases of the 3s of 1955 in not too large amounts. There are indications, however, that these funds are destined to show an increasing interest in the most distant Government obligations.

There is still a fair amount of switching being reported from equities into fixed income obligations, with the 2½s of 1961 and the 2½s of 1963 coming in for some of this buying. It is evident that a considerable amount of caution is being shown by owners of common stocks and this has resulted in commitments being made in Treasury issues of not too long duration. The 1957 and 1958 maturities are also being used by those that are moving out of equities. Idle equity cash is likewise being invested in the latest issue of Treasury bills.

Security Assoc. Adds

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla.—Kenneth W. Osborn has become connected with Security Associates, Inc., 137-139 East New England Ave., members of the Midwest and Philadelphia-Baltimore Stock Exchanges.

Stern, Frank Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Arthur M. Gelber, Robert E. Helsing, Robert M. Jackson, Bernard J. Lieberman, and Charles W. Rubsamen have joined the staff of Stern, Frank, Meyer & Fox, 325 West Eight Street, members of the New York Stock Exchange.

Continued from page 3

Errors in Financial Advertising Easily Overcome by Dealers

vestors who are waiting for someone to teach them how to use their savings more profitably.

Indisputable Potential Market

The statistics regarding this vast new market for investment securities are exciting, indisputable, and breathtaking in significance:

There are 12,000,000 families in the United States with annual incomes of $5,000 or more that own no stock.

Four out of five doctors, lawyers, executives, engineers, and salesmen own no stock in public corporations.

Just 23% of the adult population knows what common stock is.

16,000,000 non-share-owning families would like to know more about investing.

Couple these facts with our knowledge that during the next 10 years from $40 to $80 billion in new equity securities will be offered to the public—double to four times the recent annual rate—and the implications for the broker and investment banker become not only staggering but crystal clear.

No one will debate that the best way to expand the circle of investors would be in the traditional manner through direct, personal discussion, but the sheer size of the new market makes this impossible. To reach a mass audience, methods especially designed for the purpose must be used. This means modern advertising, on a realistic scale, with an adequate budget.

Education on a Volume Basis

There is no doubt that education on a volume basis is practical. It is being carried out successfully for everything from women's fashions to U. S. savings bonds, from public health to ball-point pens. In just a few years mass advertising has changed our standard of living beyond belief and it is now an essential factor in the prosperity of the United States. If people don't do things—buy, travel, save — the economy falters. Advertising puts the choices before us and helps us make up our minds.

The fact that there is a whole new group of prosperous individuals in the country, a group which has replaced the former "rich" as the source of most buying power, has not escaped other industries. Competition is keen for the new dollars, and if they are to flow into the security market they will have to be diverted from other forms of saving or from the purchase of consumer goods.

Happily, the investment dealer's message is a powerful one. He is not selling gadgets, nor transient styles, nor unnecessary luxuries, but security for one's old age, education for growing children, and all the other advantages of planned and profitable investing. On his side, too, is the fact that all forms of saving have grown astronomically during the past few years. The job of educating the public is half done. People already believe in saving; the task is to show them that investing is the best form of saving.

Dealer's Advertising Message

It all seems simple enough, yet if you ask an investment dealer to put his story into print he backs away in embarrassment. He balks because he knows that investing can be dangerous for the careless. He knows that it is necessary to get the facts before buying stocks. He also knows that nothing on this earth can be absolutely foolproof. Because he feels that it is impossible to drive these warnings home to the new investor by means of advertising, he hesitates to advertise at all.

Is this logical or sensible? The reluctance of the dealer and his concern for the public indicates a highly developed social responsibility, but can advertising actually cause large numbers of half-informed men and women to plunge their savings into ill-selected securities? The answer is an unqualified no. Advertising cannot itself sell stocks—all it can do is create a favorable attitude towards investing. Advertising can bring enquiries and potential customers into the broker's office, but it cannot close a sale. That function, and the responsibility for making sure that the investor knows what he is doing, remains always with the representative who holds out the order form for the client's signature.

Public's Fear of Brokers

The function of advertising is to break down the fear of the unknown that is the biggest hurdle new investors have to face. This fear is often unconscious, unspoken, but it is very real and it is a highly effective deterrent to people who might otherwise be buying securities. Everybody knows how to behave in a bank, yet people are afraid of a broker's office. They don't know what questions to ask, nor how to avoid sounding impossibly stupid. They don't realize that they don't need a great deal of money and that the broker will carefully explain all the technical details.

Certainly, one of the main objectives of the financial community is to take the unknown out of investing, to make it simple and easy and familiar.

Current Nation-Wide Efforts

Towards this end we may expect to find the national associations and the national stock exchanges particularly active in the following:

(1) Basic advertising and education on a national scale. (This attacks the fears and half-truths that hamper expansion, hammers home one or two simple slogans [such as the current "Own Your Share of American Business" sponsored by the New York Stock Exchange], and educates the public on the how and why of investing, the functions of the exchanges and brokers, and similar basic topics.)

(2) All forms of research. (Market research, public opinion sampling, research into effective advertising techniques, studies of trading patterns, etc.)

(3) Public relations at the national level. (Acting as spokesmen for the industry, representing the investment community at conferences with government and other industries, etc.)

(4) Provision of leadership and information to member organizations.

(5) Production of materials that are best handled on a national basis, or that are too expensive for individual firms. (Films are a good example of this category.)

Firm's Advertising Must Differ

The advertising program for the individual firm must be of a different nature. It should be tactical rather than strategic, more concerned with results, closely tied to day-by-day business. Where the top level campaign is aimed at the widest possible audience, including those who know nothing about investing, the exigencies of economics and the facts of business life demand that the indi-

vidual firm focus more sharply on people who are immediate prospects. These are the people who have never invested, but who say to themselves "Perhaps I should buy some stocks with part of my savings—I wonder how to go about it?"

In short, the national program makes people want to invest; firm advertising tells them how to take the first step.

A detailed advertising campaign is the result of intensive consultation and study, but brief mention might be made here of several points that are important for the individual firm.

Important Steps for the Firm

Work with an advertising agency. Only in this way can you get objective outside counsel and be sure of drawing to the fullest extent on the vast body of knowledge and experience that modern advertising has at its command.

Give one person responsibility for the complete sales promotion project and give him enough authority and money to do the job properly.

Support your advertising with public relations and education activities of all kinds, and with other forms of promotion such as direct mail and publications. Develop a series of public forums, radio and TV programs, billboard advertisements. Tie in your business paper advertisements. Keep your sales representatives fully informed of the part they must play in making your promotion efforts successful.

Work closely with the various national groups active in this field.

The "Ads" Themselves

About the ads themselves. When financial advertisements move off the business pages of the newspaper they become competitive with the advertisements for a multitude of other products and services. They must fight for attention, win and hold their audience, and make the reader believe what they say. They must make him want to do business with your firm and no other, and above all they must move the reader to action.

The problem is how to do this when the securities you buy and sell for your clients are exactly like those handled by other firms, and the services you provide are also pretty much the same. One answer out of many possibilities is to create an impression of efficiency, convenience, warmth, and welcome. Combine this human approach with attractive layout, good size, frequent repetition, well written copy, illustrations and perhaps color, and you will have hard-hitting, action producing advertisements.

Naturally not all firms are going to undertake aggressive sales promotion campaigns of this type; some prefer to deal exclusively with institutions or with a relatively small group of clients. For these firms mass advertising is out of character. They are performing a useful service as they are and there will always be a need for firms of this kind.

For other firms, however, the desire to grow and develop is inborn and all-pervading. For them advertising can be a vital dynamic extension of their personality, an expression of their faith in their own social usefulness, and a public declaration of their belief in widespread public participation in the American business system.

Each year the stage on which we all play our part becomes bigger and more crowded. New and improved methods are required for reaching even a fraction of the players. Advertising is one method of telling the investment story so that thousands can hear, and benefit.

Halsey-Stuart Group Offers $60,000,000 of So. Bell Tel. Bonds.

Halsey, Stuart & Co. Inc., as manager of an investment banking syndicate, on Oct. 9 offered $60,000,000 of Southern Bell Telephone & Telegraph Co. 27 year 4% debentures, due Oct. 1, 1983 at 101.66% and accrued interest, to yield 3.90%. Award of the issue was won by the underwriters at competitive sale on Oct. 8 on a bid of 100.8699%.

Net proceeds from the sale of the debentures will be used by the company to repay outstanding advances from its parent organization, American Telephone & Telegraph Co., which are expected to approximate $51,000,000 at the time the proceeds are received. The balance of the proceeds will be used for general corporate purposes, including extensions, additions and improvements to its telephone plant.

The debentures are to be redeemable at regular redemption prices ranging from 106.16% to par, plus accrued interest.

Southern Bell Telephone & Telegraph Co., a wholly-owned subsidiary of American Telephone and Telegraph Company, is engaged in the business of furnishing communication services, mainly telephone service, in the states of Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee. On June 30, 1956, the company had 5,104,315 telephones in service and was furnishing local service in 1,066 exchange areas. The company also furnishes teletypewriter exchange service, and services and facilities for private line telephone and teletypewriter use, for the transmission of radio and television programs and for other purposes.

For the six months ended June 30, 1956, the company showed total operating revenues of $283,797,701 and net income of $35,400,465. At June 30 last, capital stock equity, funded debt and advances from American Telephone & Telegraph Co. amounted to $975,023,344, $265,000,000 and $51,700,000, respectively, compared with $485,469,742, $180,000,000 and $24,100,000, respectively, at Dec. 31, 1950.

Two With Goodbody

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla.—Sam A. Behr and Cherrill P. Heaton have become affiliated with Goodbody & Co., 127 North Main Street.

Named Directors

Harry D. Miller and James F. Donegan have been elected directors of Apex Minerals Corporation, the company announced. Mr. Miller is a partner of Nugent & Igoe of East Orange, members of the New York Stock Exchange, and is a director of the Harvill Corporation, Allied Products Corporation and the Fabin Textile Printing Co. Mr. Donegan is associated with Laird & Company Corporation, members of the New York Stock Exchange.

Continued from page 13

Merger Motivations Examined For Business Investor Health

ent concentration due to mergers after 1904," we must answer, "practically not at all."

There is somewhat of a paradox here. Mergers account for most of the concentration, yet mergers since 1904 have had little effect on concentration and in the aggregate mergers have had a relatively small influence on total growth. A resolution to this paradox is seen in some trends in economic history. Tremendous growth took place in the economy since the turn of the century. Thus, the great amount of absolute growth which took place since the turn of the century is due in the main to internal growth of the company's and not to mergers. But nevertheless mergers account for by far the largest source of concentration existing in the United States at the present time.

Significant Decline in Some Industries

An aspect which is frequently overlooked is recognition of the fact that although concentration is large in some industries in 1948 (1948 figures are used since this was the terminal date of my study), concentration in 1948 in several significant industries was less than it was at an earlier period of time.

For example, when U. S. Steel was formed, it accounted for some 62% of ingot steel capacity in the industry. In the same year, 1901, Jones and Laughlin accounted for 7%, Republic Steel Corporation 4%, Bethlehem about 2%. The remainder of the industry accounted for some 26%. In 1948 U. S. Steel accounted for 33% of the industry output, Bethlehem 15%, Republic 10%, Jones and Laughlin 5%. The remainder of the industry accounted for 38%. Thus the remainder of the steel industry, other than the Big Four, increased its share of the market from 1901 to 1948 by 12 percentage points.

A similar situation obtained in the tobacco industry. The American Tobacco Company in 1891 accounted for nearly 90% of cigarette sales; the remainder of the industry 11%. By 1939, the share of the market by the leading tobacco companies was: American 25%; R. J. Reynolds 24%; Liggett and Myers 22%; Philip Morris 7%; P. Lorillard 6%; the remainder of the industry 19%. Of course, the American Tobacco Company was required to undergo dissolution by court decree in 1911, which led to some decrease in concentration.

Another interesting situation is that of the automobile industry. In 1921 Ford accounted for 55% of the industry sales; General Motors 12%; the remainder of the industry 32.8%. By 1941, General Motors had risen to nearly 50%; Ford had dropped to 18%; Chrysler Corporation held the position of 23%; Studebaker 3%; the remainder of the industry 6.8%. The automobile industry is interesting in that General Motors attained its great growth many years after the mergers in which it engaged. The Ford Motor Company engaged in no major mergers except the acquisition of the Lincoln Motor Company in 1922.

Concentrations Have Not Increased

The significance of these data is that although concentration was great at the turn of the century as a consequence of mergers, in most industries it did not increase. For most of the industries in which mergers occurred at the turn of the century, resulting in very large firms, concentration actually decreased since 1904 rather than increased. This occurred in agricultural implements, biscuits, can, copper smelting, corn products, explosives, leather, liquor distilleries, newsprint, petroleum, rubber products, railroad cars, sugar refining, and tobacco.

Thus, despite the dramatic attention given to mergers in recent years, they have not had great effects on concentration. With respect to the first issue that we have raised, therefore, whether mergers have led to great increases in concentration and to monopoly, our conclusions must be that they have not led to monopoly. While they are the cause of the concentration which we find in the economy today, they have not led to significant increases in concentration since 1904 and despite the continuation of mergers, concentration has actually decreased in most major industries.

III

Mergers for Economies of Operations

Let us now turn to some motives of buyers and sellers in recent mergers. The most frequently cited reason for mergers is to achieve economies of operation. Some examples may be cited. The widely heralded Hilton Hotel purchase of the Statler Hotel was justified by the purchaser on grounds that it would lead to economy in purchasing supplies and materials and therefore lead to more economical hotel operations. One Hilton executive estimated that the savings that would accrue simply from combined management of the Statler Hotel in New York and the New Yorker Hotel owned by the Hilton chain, would amount to $700,000 a year. The bulk of such savings would be in the field of laundry, food, advertising, and administrative costs. It was said further that the coupling of the Statler chain with Hilton would give the combined company a tremendous advantage over all other hotels or exhibition centers in bidding for all types of conventions and manufacturers' exhibitions.

The merger of the Mathieson Chemical Corporation and Olin Industries, Inc. into a single $500 million corporation, the Olin-Mathieson Chemical Corporation, was to exploit the joint interest of both companies in petroleum chemicals and jet fuels and to provide captive sources of raw materials for Olin's operations in the cellulose and packaging field. Mathieson produced such materials. It was hoped that economies in research, and economies through integration would be achieved.

Marketing Economies

Marketing economies are another source of gain through mergers. The merger in late 1954 between Carrier Corporation and Affiliated Gas Equipment Incorporated in Cleveland was to enable the combined companies to provide a complete line of both air conditioning and heating equipment with special emphasis on the increasingly important home field. It gave the companies a product range the most extensive in the air conditioning industry of which heating, it was said, was an important part. It also enabled Carrier Corporation to enter into immediate expansion into new fields with first rate plant facilities.

Another example of marketing economies was in a merger of early 1953 between Merck and Company and Sharp and Dohme. Merck had made great advances in research and in production of drugs. Sharp and Dohme had an effective sales organization. The combination of the two pharmaceutical companies added strength to both.

IV

Mergers for Diversification of Products

Another motive for mergers has been diversification of products and production. Examples here are numerous. One is the merger in mid-1954 between W. R. Grace and Company and International Industrial Shipping and Trading Company with Dewey and Almy Chemical Company. The purpose was diversification for Grace. Another is the merger in 1952 between the National Lead Company and Doehler Jarvis Corporation. It was pointed out that both firms were in the metal field though their products differed. It was said that National Lead had access to markets and customers which would provide a ready outlet for Doehler's production. Still another example is the merger in mid-1954 between Royal Typewriter and the McBee Company. McBee was a big producer of accounting and statistical machines and supplies. Royal did not make that kind of equipment but is one of the largest manufacturers of typewriters.

V

Tax Inducements for Mergers

Taxes have been one of the most important factors in mergers. Surprisingly, the role of taxes has been as important for sellers as for buyers. A study of the effect of taxation on corporate mergers by a Harvard group reached the following conclusions. Taxes were an important factor in the sale of about one-tenth of the total number of selling companies, and of one-fourth for selling companies with total assets of over one million.

One of the important tax reasons on the part of buyers and purchasing companies was to obtain tax losses of the acquired company. An example of this was the purchase in early 1955 by Indian Head Mills Incorporated of Naumkeag Steam Cotton companies which had a tax loss of $2.7 million.

Numerous other illustrations could be cited. The new tax law places limitations on the privilege of tax gains through purchase of loss corporations.

These then are the main factors which have been influential in bringing about mergers. The operation of some of these factors and related ones may be seen more clearly by looking at mergers in three particular areas; among commercial banks, the automobile industry and in textiles.

VI

Merger Activity in Three Industries

(a) **Bank Mergers:** The bank mergers at one stage were influenced by the fact that the stock market inadequately valued bank earnings. As a consequence, banks were valued at levels rating them as worth more dead than alive by investors—the book value of bank stock was higher than market value. With relatively cash assets banks could have liquidated to yield more than their market values. In bank mergers, the acquiring company was able to offer to stockholders cash and stock in excess of the market value of their stock because of the value of assets being acquired.

Another factor in many bank mergers was the objective of diversifying business. This was especially true of several of the New York City bank mergers. Some banks have catered to large individual accounts or other banks have spread their operations by having many branch activities. The branch activities have been successful in attracting savings and consumer accounts. Typically the New York bank mergers were between the banks with only a head office and those with a branch system. The purpose of the merger was to give each what the other did not have. By entering into a merger with a bank with a large branch system, a given bank was enabled to establish a branch system immediately without the time and development of personnel that would be involved if they had established their own branch system from the start.

(b) **Automobile Industry:** The automobile mergers were said to have represented a case of merger for survival. The specific economies cited were the ability to extend dealerships and services available to automobile owners, operating economies by integrating designs to allow the use of common tools and facilities and the development of interchangeable components and parts. Supervising, accounting, purchasing, advertising costs per unit of output, it was hoped, could also be reduced in time. It was thought that the larger combined sales volume would permit savings in the purchase of parts and materials and lead to an extension of parts manufactured by the companies. Also by cutting down certain lines, and concentrating on others, volume could be enlarged so that increased advantage of automation could be achieved. It is too early to say yet whether these hopes will actually be realized.

(c) **Textile Industry.** The textile story is likewise a most fascinating one. The decline in earnings in the textile industry in 1953 which culminated in 1954 led to the following situation. The textile company common stocks possessed market values much below book values and net current assets per share were only moderately higher than market values. As a consequence, a prospective purchaser interested in acquiring the liquid assets of the textile firm or interested in obtaining any value of the name of the textile firm or line of product would be interested in the acquisition. By tenders to stockholders the acquiring firm could offer very attractive terms in relation to the current market price of common stock. One could predict that preferred stockholders would object to the terms because preferred stock would decline in value less than the common stock, the preferred stockholders could look to obtaining something close to book on liquidation, and book values were far in excess of the market value of common stock of the textile companies.

For example, Burlington Mills purchased Pacific Mills paying $50 per share at a time when Pacific Mills was selling in the neighborhood of $25 per share. However, the book value of Pacific Mills was $71 per share and net current assets were approximately $40 per share. Some stock owners of Pacific Mills objected. One, for example, reported in the newspapers Nov. 3, 1954, argued that Pacific Mills was worth at least $60 a share in liquidation and felt therefore, that the offer by Burlington was inadequate even though it was almost double the current market price of the company stock.

Many other examples of this kind could be cited. Another involving Burlington Mills was the purchase of Goodall-Sanford at $20 per share when its current market price was $10 a share, but which had a book value of $41.50 per share and net current assets per share of $20.

The bitterly fought purchase of American Woolen by Textron Incorporated was at a price of $25 per share. The book value of American Woolen was $60 per share, its market value only $16 per share, but its net current assets per share were $24, approximately equal to the amount paid to American Woolen by Textron.

In each of the textile mergers something in addition to the liquid assets of the acquired company was obtained. For example, in purchasing Goodall-Sanford, Burlington Mills was enabled to enlarge greatly its interest in woolen and worsted fabrics, plus the addition of earning power from another major branded consumer product, palm beach suits, comparable in consumer acceptance with Burlington's hosiery and with Pacific's sheets, towels and pillow cases.

VII

Mergers and the Investor

Turning from these general and factual aspects of mergers, I now consider mergers from the standpoint of the investors. Frequently the announcement of a merger will have a strong upward influence upon the stock prices of the company involved. Two examples may be cited. The newspapers of Aug. 12, 1954 carried the announcement of the appointment of a special committee by the directors of Corn Exchange Bank Trust Company to study the merger proposal advanced by Chemical Bank and Trust. The announcement of the terms sent Corn's stock spiralling upward on the New York Stock Exchange. In the six-day period after merger rumors concerning Corn first began to circulate, the stock shot up 23 points.

In March, 1955, newspapers carried the story of the announcement of the proposed merger between Sperry Corporation and Remington Rand. At the opening of the New York Stock Exchange after news of the merger was announced, Remington Rand rose some three points. The accumulation of buying orders in Sperry exceeded available stock for sale by so large an amount that the stock at first couldn't be opened. Finally at 10:38 enough selling orders had been accumulated and the stock was opened at 57 up 6⅛ in lots of 10,000 and 5,000 shares. Remington Rand then rose a couple of points more, after which both stocks slipped back a point or two. When more news came on the ticker service, Sperry rose further up to 60.

Pricing Merger Terms

The study of the terms of mergers indicates that greatest weight typically is given to earnings and dividends with a floor imposed by net current assets per share. Market value will generally approach the terms of the merger as soon as those terms become rather clear. Sometimes this permits the possibility of arbitrage operations for the investor which permit a gain with little risk of loss. For example, the Studebaker-Packard merger permitted arbitraging for a long period of time. The terms of the Studebaker-Packard merger were as follows: The Studebaker owners would receive 1½ shares of the new company for each share of Studebaker held. A Packard owner would have a reverse split receiving one share of the new company for each five shares held. For a long time Packard sold in the market at about four and Studebaker sold at 18. Observe the arbitrage possible. Buy 200 shares of Studebaker at 18 which would cost $3,600, 200 shares of Studebaker would acquire 300 shares of Packard-Studebaker. Fifteen hundred shares of Packard would acquire 300 shares of Packard-Studebaker. Therefore, sell 1,500 shares of Packard stock short at four. Fifteen hundred shares at four is $6,000. Selling these short would provide the seller with $6,000. He would pay $3,600 for the Studebaker. He could cover his short sale of Packard by delivering 300 shares of Packard-Studebaker when the

exchange took place. The announcement of the merger and the terms was made on June 23, 1954. This price differential obtained very close to the time that the Studebaker-Packard Corporation stock made its first appearance on the tape on Aug. 19, 1954. Large gains could have been made with no risk other than the risk that the merger would not actually take place.

Having cited some of the possible substantial gains from mergers by investors, some cautions should also be noted. These cautions are emphasized by the earlier studies of mergers. One was made by Professor Arthur Stone Dewing of the mergers which took place at the turn of the century. He studied 35 of them. He found that earnings of the component companies before merger were nearly a fifth greater than the earnings of the combined companies for the first year after consolidation and between a fifth and sixth greater than the average earnings for the 10 years following the consolidation. He pointed out that promoters estimates of probable earnings were 150% of the actual earnings of the first year and 200% of the actual average earnings during the 10-year period after consolidation.

Merger Earning Prospects Exaggerated

Some of the reasons for the failure of recent and aborted mergers may be cited. (1) Sometimes the legalities involved in straightening out all aspects of the mergers are so great that the expenses of the merger will far outweigh the advantages. This may occur when the reason for the merger is to acquire a tax loss. Sometimes the tax loss may be only one or two thousand dollars, whereas the legal fees involved may be two or three times that amount. (2) Sometimes personality conflicts, especially if some officers of the merged corporations are to be eliminated will result in disagreements and a break up of the merger. (3) Often there will be disagreement on terms, which will prevent mergers from being consummated.

VIII

Brief Summary

In summary, we see that early mergers were an important cause of concentration in the United States. However, mergers since 1904 have not increased concentration; indeed concentration in many industries has declined. We observe that mergers since 1904 have been mainly for business reasons rather than to attain market control. We have seen how special situations in certain industries especially banking, automobiles and textiles may at times give rise to a large volume of mergers. We have also pointed out possible gains and dangers for investors.

New S. F. Exch. Member

SAN FRANCISCO, Calif.—Ronald E. Kaehler, President, has announced that Edison A. Holt has been elected to membership in the San Francisco Stock Exchange by the intra-firm transfer of the membership now standing in the name of Daniel J. Collins.

This membership transfer does not change the status of the firm as a member of the San Francisco Stock Exchange, nor is there any change in the firm's partnership arrangement.

Wood, Struthers Branch Opened in New Haven

NEW HAVEN, Conn. — Wood, Struthers & Co., members of the New York Stock Exchange, have opened a branch office in the Second National Bank Building under the management of Robert H. Clemence. Mr. Clemence was formerly local representative for R. L. Day & Co.

Continued from first page

As We See It

in this total is found in a change in the total earning assets of the commercial banks of the country, which have increased in an amount quite comparable with the growth in "money supply." But has the banking situation remained without essential change in the interim as such figures and most of the arguments of the money economists would suggest? Hardly. At the end of July, the latest available figure, the commercial banks held something less than $56 billion in governments; a year earlier they owned close to $64 billion. Meanwhile, their loans to home owners, instalment buyers, and business jumped from something less than $77 billion to more than $87 billion. The Federal Reserve banks during that period sold governments on balance. Evidently commercial banks sold governments to investors and replaced them with loans to business and consumers.

An Important Factor

Is this circumstance not a factor to be taken into consideration when reaching a conclusion as to whether a further growth in the "money supply"—that is, in the earning assets of the commercial banks—is indicated at present? No one need doubt, of course, that many of these loans now on the books of the commercial banks represent capital investments of one sort or another. Should commercial banks go further into the business of supplying capital to business? They can expand their private lending, assuming a continuation of present Reserve policy, only if they borrow further at the Reserve banks or dispose of more of their governments. What do the tenets of sound banking suggest in a situation of this sort? Is this not a key question in the whole issue? Yet how often do we hear it mentioned?

Such matters as these must be under prayerful study by the Federal Reserve authorities at this time. At least we hope so. These authorities have not been denying member banks such credit as they ask for: they have merely made it cost more. But what the money economists would have them do is apparently to go into the open market and buy governments to increase the "money supply." This they think such action would do by reason of the fact that member bank reserves would be enlarged thereby and these latter institutions would, then it is supposed, either themselves buy government bonds or lend more freely to industry, trade and consumers. But here again we have the same old question to face. Would it be helpful in the long run for business and consumers to go more heavily into debt at the banks now? If not, or if commercial banks do not think that it would, what would happen is that member bank borrowing would be reduced, and business and consumers presumably could obtain some accommodation from the non-bank sellers of governments, neither of which would enlarge "money supply."

It would be helpful if these money economists were to make their positions clearer at a number of points. Do they mean to say that a fixed portion of the volume of business at all times is done with bank credit, and that over the years that portion will remain so fixed? And that regardless of changes that occur in the business world—with integration of industry placing many operations in a single corporation which before were transactions among separate entities? With various devices from time to time invented and utilized for the purpose of economizing in the use of funds? With varying rates and systems of taxes which vitally affect the costliness of indebtedness and the interest thereon?

A Further Assumption

But many of these learned gentlemen seem to go a good deal further than this. They seem to suppose that since (according to their theory, at least) there is a fixed ratio between the volume of business and "money supply," it is possible to enlarge the volume of business by the simple expedient of increasing "money supply." They do not seem to suppose that any serious difficulty would be encountered in increasing money supply. There have been occasions in the past when it was not so easy to increase it. Excess reserves in huge amounts accumulated in the 'Thirties. Governments were bid up to prices that left almost no yield. But banks either did not think it wise to expand their loans proportionately or else there were not enough borrowers. When things are booming it is unlikely that excess reserve would mount in any such way. Upon occasions of this sort, there probably would be no difficulty in increasing money supply, but that is just the time when the wisdom of doing so should be most carefully studied.

The whole question of the wisdom of Federal Reserve policy during the past year or so is certainly a legitimate one for study and discussion. No one is likely to be censured for asking whether or not a continuation of it in the months ahead is likely to have adverse results on the general course of business. Whatever opinion one may hold on this question, however, it should be clear that the subject should be approached in a more realistic and practical way than is common among so many today who have most to say on the subject. It does not seem to us that much is to be gained by comparing total "money supply" with changes in the business weather. There are far too many and too complex variables involved. Least of all is there much excuse for merely assuming that some casual relationship exists between the two.

Money, credit and related topics have been controversial since time began. They are likely to remain so for a long while to come. But, by all means, let's have the controversy on a plane of realism.

Boettcher & Co. Opens Grand Junction Branch

GRAND JUNCTION, Colo.—Boettcher and Company, members of the New York Stock Exchange, have opened a branch office in the First National Bank Building, under the management of Bart Day. Robert Ramsay will be Associate Manager. Mr. Day is an officer of the Modern Home Loan Association. Mr. Ramsay was formerly assistant cashier for the First National Bank.

The new Grand Junction office will offer the same facilities as those in the Denver office.

Two With Fin. Investors

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—John C. Miller and John R. Page have become associated with Financial Investors Incorporated, 1716 Broadway. Mr. Miller was previously with FIF Management Corporation; Mr. Page was with King Merritt & Co.

R. A. Harrison Adds

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Berylene Miller has been added to the staff of Richard A. Harrison, 2200 Sixteenth Street.

Continued from page 6

The Changing Ins and Outs Of Foreign Stocks and Bonds

are today sitting with stocks that are 25 or 35% lower.

Foreign Investment Is Three Dimensional

This, in fact, brings me to another phase of our business. I think it is perhaps right to suggest that the business of investing abroad is a three, possibly even a four-dimensional affair. If you buy DuPont over here, you try to keep your eye on two things—how the company is doing and how the whole stock market is doing. If you buy Imperial Chemical Industries, a company of the highest stature, you've got to keep your eye on all sorts of other things. You've got to keep your eye not only on our own market, which today is the pace setter for stock markets throughout the world, but you must keep it also on the foreign company and on the London market.

For instance, take again the case of Imperial Chemical Industries. It sounded so nice; here was a stock selling at $6, maybe only 6, 7 times earnings, when DuPont was selling at $200 and at 25 times earnings.

However, in relation to the London market, Imperial Chemical Industries at that price level was just about priced right. Stocks over there happen to be selling on a lower price-earnings ratio. They give a higher return, because the whole money market pattern over there is one of higher yields.

When the English began to realize that America was buying, buying at a level that seemed too high, London just sold and sold, and the American investor was stuck with shares at a higher price than was justified. So we must, to the best of our ability, try to evaluate all these various factors. Sometimes we're right; sometimes we're wrong. On a great many stocks in the last few years we've been right, fortunately.

Who Buys Foreign Stocks?

Who is it in this country who buys foreign stocks. There is always the speculative element in New York — people who like to hustle and rustle all over the country and all over the world, who think they can catch a development here or can speculate on a political crisis there. They are doubtlessly one element.

But—and that is of course much healthier—today the bulk of the business in foreign shares is being done outside New York. The likes of us, our firm and others that are active in this business, act as arbitragers and wholesalers and have established connections with one or two good, high-grade, conservative local firms in most major cities throughout the United States. We try to guide them. We send them our memoranda, tell them why we think this or that is interesting, and they, in turn, sell these shares to their customers on what I think so far has been a pretty sound investment basis. We can see that the great bulk of foreign shares that has come over here in the last few years seems to be pretty well placed.

Again we've been helped in making foreign securities a more highly regarded investment medium by purchases on the part of some of the investment trusts. Some of the leading Boston trusts today have quite large holdings in stocks like Royal Dutch, Unilver, British Petroleum, (which is the old Anglo Iranian company), the Phillips Electric Company of Holland, the Bowater Paper Company of England, and so forth. And of course, once the investment dealer in St. Louis sees that some conservative Boston investment trust has bought foreign stocks, he's a little more courageous. He can tell his customers, "The XYZ Company in Boston holds this stock and they're pretty conservative people."

Royal Dutch Decline Explained

The reaction to the Suez crisis is one test of holdings stability. Royal Dutch has gone down — about 15% from the peak. But if you consider that this is a frightening episode, and if you consider that the stock in the last few years has had an enormous rise, this decline does not suggest panic selling. It does not suggest that people bought their shares specifically for a quick profit, and I think one can be very well satisfied with the reaction to the first real test in recent years.

But there is no doubt that the average investor is suspicious and leery of foreign stocks. "Why," he asks himself, "should he buy in something where the information is less detailed, it's slower, more roundabout, than if he buys Standard Oil of New Jersey, IBM or General Motors?" And from his point of view, he's in many ways absolutely right.

Foreign investment if you are so inclined, should be done with fringe funds. I think I learned more about the American attitude toward foreign investment when I was playing golf on my vacation recently than I've learned in working three years in Wall Street in this same field.

American Attitude Toward Foreign Investment

I was walking around the course with two very nice men from Boston. The Suez Canal crisis had just broken, and one was saying to the other, "You know, these foreigners, last week they were recommending Royal Dutch and Gulf Oil and all the other international stocks. They had inside information that Mr. Nasser was going to grab the Suez Canal, so they tried to unload their securities on us."

Now, of course, that's nonsense. I wish we had had inside information. I don't think anybody sensed this over there before it was known here, but such remarks are so very symptomatic. If something goes wrong, in foreign stock, it's immediately classified as "not so nice." I always feel, as long as I'm in the securities business, I'm bound to be called an idiot on occasions, and the only thing I try to avoid is being called a dirty idiot.

Perhaps I've discussed too much about generalities and I'd like to discuss a little bit more about the mechanics of our business. We maintain trading markets in most of the foreign securities for which there is a fairly active demand. That means our traders will position the stock, they'll sell it—at 5½ and buy it at 5¼, the way any other over-the-counter trading is done.

But we do one other thing, and that is, we keep in touch all the time with the market where the shares are domiciled. If it's an English stock, during the trading hours when the London Stock Market is open, we get constant quotes from the London market on what prices are over there, and if the price happens to be a little higher than it is here, we buy the stock in the New York market and sell it in the London market, and vice versa. The spreads are minute, and a good deal of it is done much more on a speculative than a strict arbitrage basis.

But we do try to keep in touch, which isn't always easy because there's the five-hour time difference. When we are in the midst of our trading day here, say around about two o'clock in the afternoon, its seven o'clock in London, and very often, when we try to sell something over there which we just bought here, our London office comes back and says, "The specialist who's making a market in this particular stock just took his train home and we can't give you a price." So then we have to position it and hope for the best.

Process of Buying Foreign Shares

Increasingly, it has been found that to buy the actual foreign share certificates is something that the American doesn't like. They look different, there are problems of delivery, and all sorts of mechanical things that are puzzling; so a number of the New York banks, particularly the Guaranty Trust and the Irving Trust, have created what is known as an American Deposit Receipt, and trading in these certificates is a large part of our business.

Take — say Ford of England. Instead of the American investor buying the actual English shares, he buys American Deposit Receipts. The issuing bank is the transfer agent, and becomes responsible for converting the foreign currency dividends into dollars, so that to the individual holder of the shares here, it's no different from buying any domestic stock.

Of course, the bank isn't the owner. The bank only issues these certificates, and if the bank has, say, a million of these outstanding and has received from the people who bought them money for that million, they, themselves, in turn, hold a million of the underlying shares which are the value behind the American Deposit Receipts.

There are relatively few foreign securities listed on either the New York or the American Stock Exchange. Royal Dutch is one of the most important on the New York Stock Exchange. On the American Stock Exchange, there are a few more. They are mainly leftovers from the prewar days, Imperial Chemical Industries, Associated Electrical Industries, and a few of the other large English industrial companies are the most important, but some of them are completely inactive in trading.

Problems of Taxation

Again and again we ask ourselves, what is the incentive for buying foreign stocks? Why should the American investor assume the added risks and uncertainties of investing overseas, and we do try not to make the case better than it is. There are many problems—taxation is one. The English, for instance, have a large withholding tax on dividends, and even though this can be claimed over here by the individual American stockholder as an offset against his American taxes, it's cumbersome, and unless he is himself in a high tax bracket, he loses part of his income.

On the whole we limit ourselves to the groups where, as I said earlier, nature has given the foreign stocks certain advantages.

At the same time, we try to find areas of the world where maybe a major development is taking place. If you had the courage to buy securities in Germany in 1946, '47, '48, because you felt the country was turning 'round, you could make profits that were almost staggering. The currency had gone to pieces, so you obtained stocks at a very favorable exchange rate. The stock market was flat. In all, the purchaser benefited from two major movements, the rise in currency and the rise in the stock market.

If one could find countries where like developments are taking place, the opportunities might be large for the more speculatively minded individual. Probably the area today about which people are thinking in those terms is South America — underdeveloped, undercapitalized, beset with political problems, stock markets in their infancy, all the factors that used to make the mouth of the British pioneering investor in the 19th century water.

Of course, the setting in those days was different. At that time, there was much more political follow-up. If English capital went abroad, very often so did a battleship alongside with it. Quite impossible in this day and age.

Underdeveloped Areas Peculiar Profit Views

Moreover, the inducement of putting money abroad is the hope of the expectation of a high return. But the underdeveloped countries are very sensitive to profiteering by foreign capital. If you think of putting money abroad to make a killing, that's the very thing they object to. They may not mind their own nationals making a large profit, but let an American investor come along and it's quite different.

It was once said to me, the 19th century was the century where everybody twisted the British lion's tail; and the 20th century is the one where Uncle Sam's beard is being pulled. I think that is very true, and the moment an American investor, an American businessman, comes to an underdeveloped country, he's got to lean over backwards and not appear or even want to make a very large profit. Yet, the very incentive of going off the beaten track is the hope of your higher profit. So here we've got a real dicotomy and one that is in a way stifling the full development of foreign investment.

Even so, if we look at countries like Brazil, you can get a 20-30% return annually on your investment, but then the currency is depreciating at almost that fast a rate; so you may be going fast and getting nowhere.

These are the problems that we try to think about. Occasionally we have a good idea, but more often than not, particularly with regard to South America, we sit on the sidelines but we feel pretty sure, with the world situation being what it is, South America one of these days is going to be one of the major foreign investment areas.

Meanwhile, of course, American corporations are putting an enormous amount of money abroad annually, not through stock market dealings, but through subsidiaries operating abroad. American industry has no less than a $29 billion investment in its foreign subsidiaries.

American Profits from Subsidiaries Abroad

This is a formidable sum and it's increasing at a fast pace. Last year these American corporations retained by way of profits and depreciation as much as $1.5 billion in their foreign subsidiaries. And if you analyze the statement of a company like International Business Machines, General Motors, some of the oil companies, you'll find that both the profit margins they are making abroad and the return on their invested capital is substantially higher than it is over here.

The reasons are manyfold. Generally, competitive conditions abroad are less stringent. In some instances, American know-how and American products are a novelty or are better for one reason or another, production is at a more efficient pitch, with the result that for an American corporation, this is a very interesting avenue of investment.

Last, but not least, some of them are forced to establish themselves abroad because there are import restrictions and the countries concerned don't have the dollars to buy the same goods over here.

All of this is the type of investment which, in terms of dollars, is much more important than what I've been talking about primarily. Last, and not least, you have government aid. You may have read in the papers recently that India is buying several hundred million dollars' worth of products from us, but if you look a little more closely you will see they aren't really buying it, but that, in effect, we are giving it to them. I personally, happen to be one of those who think it is an excellent idea that we do give it to them, but there are other people who say, "Why give it away?"

Let's face it. The world needs dollars in one form or another, if it is going to continue to buy American goods. So the dollars are being supplied in one form or another, whether we do it our modest way by placing foreign stocks, or if it's being done on a gigantic scale by the government, or in between by American corporations.

Storer Broadcasting Offering Completed

Reynolds & Co., Inc., on Oct. 4 headed an underwriting group offering for public sale 200,000 shares of common stock ($1 par value) of Storer Broadcasting Corp. at $25.25 per share. This offering was oversubscribed and the books closed the same day. All shares being sold are owned by George B. Storer, President and a Director of the company, and none of the proceeds will accrue to the company.

After the sale Mr. Storer will own 1,092,890 shares of class B common stock (convertible into common stock on a share for share basis) and will retain for his lifetime the right to vote 206,250 shares of the class B common stock held in trust.

Storer Broadcasting Corp. is the largest independent radio and television broadcasting owner and operator in the United States with seven television broadcast stations and seven standard radio broadcast stations (with six having affiliated FM stations). Radio and television stations are located in Miami, Atlanta, Birmingham, Cleveland, Toledo and Detroit. In Portland, Ore., the company operates a television station only and in Wheeling, W. Va., an AM-FM radio station only.

Operating revenues increased from $3,351,805 in 1946 to $24,051,726 in 1955. For the six months ended June 30, 1956 the company reported operating revenues of $14,303,236 and net income of $2,863,908 as compared with revenues of $11,145,765 and income of $1,841,104 for the similar 1955 period.

Storer Broadcasting Corp. has paid dividends on its common stock in each of the 23 years from 1933 to 1955. The current annual dividend rate is $1.80 per share.

James A. Kiernan

James A. Kiernan, partner in Thomson & McKinnon, New York City, passed away Oct. 6 at the age of 64.

Charles E. Merrill

Charles E. Merrill, partner of Merrill Lynch, Pierce, Fenner & Beane, New York City, passed away Oct. 6 in his 71st year. Mr. Merrill had been partly inactive since 1944 because of a heart ailment.

Continued from page 5

An American Economist in U.S.S.R. And Business Credit Outlook Here

economic development and the consumer is way down on the priority list.

The year 1955 illustrates the importance of consumer credit in the high-consumption economy of the United States. As we moved into 1956, there was widespread recognition, as I pointed out at Boston last October, that some slowing of the pace of economic advance was inevitable if we were to avoid substantial strain on the general price level. An examination of major economic indicators confirms this anticipation.

The increase in the annual rate of production to nearly $410 billion by mid-1956 represented a more modest rate of growth than a year earlier, particularly in view of the fact that a substantial portion of the rise is accounted for by price increases.

Consumption expenditures have been rising at a slower rate than last year. It is not surprising, therefore, to find a leveling off of consumer credit.

The most persistent increases in outlays this year are for plant and equipment which appear to be in line with the record-breaking plans reported in surveys earlier this year. Business has its eye on the longer-run and its promise of ever-increasing consumer demand resulting from both larger population and rising living standards.

Sees Further Economic Advance

What may we expect as we look ahead? For the remainder of the year and into 1957 further economic advance seems likely. Wage increases this year will serve to bolster personal income and should result in a continuing rise in consumer outlays. Sales at all levels continue strong, while the rate of inventory accumulation has substantially slowed at the wholesale and retail levels. Consumer durable outlays, which have been falling since the third quarter of 1955, largely reflecting the decrease in automobiles, should hold steady at worst but more likely will increase during the coming months, depending on acceptance of new automobile models this fall. Certain government programs, particularly in the field of highway construction, agriculture and defense may be counted on together to make a strong impression on the economic outlook both in the short-run as well as the long-run. And, as I mentioned a few moments ago, business plant and equipment outlays apparently will continue to add to the general strength of the economy.

On the other hand, there are elements of weakness that must be recognized. Housing starts are down from a year ago, although total new construction has gone up. The continuing long-term shift in resources from agricultural to nonagricultural pursuits is reflected in the farm price and income situation, although the income decline of several years in this area seems to have halted and soil bank payments should stimulate spending in farm communities.

Outlook & Disturbing Elements

Perhaps the most disturbing element in the short-run economic picture is price increases. The consumer price index has advanced markedly during the spring and summer months, while the wholesale price index rose over two points since the beginning of the year. We may expect that continuation of these price movements will be met by the exercise of additional restraints in the money markets.

On the whole, economic prospects for the remainder of the year and into next year are for the continuation of growth though at a slower pace than in 1955.

Longer-term growth trends and their implications for our living standards have been discussed very widely in academic journals, in research reports, in government documents and in Sunday newspaper supplements. There is no need to dwell on these long-term projections here. Suffice it to say that continuation of recent trends indicates the attainment of a $550 billion national economy by 1965 in terms of today's prices.

The really significant characteristic of the economic outlook I've sketched here is its dynamic quality. Economic growth does not occur without change, often substantial, in economic relationships—in tastes and wants, in product mix, in form of organization, in methods of finance, and in the wide variety of institutional arrangements which make up the setting of our every day life. If we look back over the past decade, we see that the phenomenon of expansion of economic activity has been accompanied by major changes in products, by breathtaking technological advances reflected both in the goods and services sold to consumers and in methods of producing them by changing emphasis among various broad sectors of economic life, by shifts in public policy, by the relative importance of Federal and State and local government. Because the extent of such changes in any one year is likely to be small, there is a tendency to overlook their cumulative effect, which may be very large indeed.

Regressive Tax Danger

Consider, for example, the consequences over time of the perceptible current shift toward State and local government activity relative to total public outlays. This shift is to be expected in light of leveling off of defense expenditures and the rapid population increase with its consequent increased demand for public services traditionally performed at the State or local level. A concomitant of the shift is a corresponding change in emphasis in government financing, away from the relatively progressive Federal revenue system to the proportional and regressive taxation at the State and local level. This shift, cumulatively, may have important consequences in terms of maintaining economic stability, as well as in its effects on consumer purchasing power. While we welcome the growing importance of State and local government relative to the Federal government, nevertheless the implications of the results of changing patterns of finance should be given serious thought.

Or consider the adjustments which may be required to take full advantage of the promise of abundance offered by automation and technological advance in general. These developments through time convert items of restricted consumption in to staples of mass markets. They require development of improved techniques of distribution. They also will involve, over time, a shift in the relative values attached to leisure and work and consequent further changes in the composition of consumption demand.

Increased Consumption Rate

I want to venture an additional observation on this same subject. For about a century preceding World War I, this nation was rapidly shifting from a predominantly agricultural economy to a predominantly industrial economy. There is some evidence, not conclusive perhaps, that in recent years technological advances have been such that additions to our capital stock today result in greater increases in output than such increases would have produced some years ago. Furthermore, if defense outlays stay even at present high rates, the share of the total growing national product devoted to defense should decline. It is this possibility for increasing consumption expenditures relatively to business investment and defense outlays that presents a challenge to all of us.

When we look forward over the next decade, we must not ignore the conclusion that bright prospects are reached only after surmounting the challenges inherently involved. Flexibility in outlook and willingness to adjust quickly to changing circumstances are basic requirements for success in realizing our potentials. It is interesting to note that in the current election campaign both political parties are emphasizing the need for flexibility, innovation and alert leadership in the years ahead. A *status quo* platform will not win a political election nowadays any more than a static business management can please its stockholders.

As I just sat for two weeks participating in lengthy discussion of the problems of economic development in Asia, I often thought how simple our problems are in comparison, and how much more flexible and adaptable we are in America solving our problems.

Economic Importance of Consumer Credit

How does consumer credit fit into this picture of change and growth? At the outset there is general agreement that a highly developed system of consumer credit is essential to maintaining and broadening mass markets. The continuing importance of durable goods in American living patterns requires an effective system for providing consumers with credit arrangements to move these products from assembly lines into family uses. The use of consumer credit represents one of the major institutions whereby millions of consumers save and in a financial sense improve their balance sheet. And I am not referring to just the low income families. This statement applies equally to most of the great middle income group.

Historically, as we have seen, the development of consumer credit has been impelled by and has contributed to mass production of consumer goods. It will, I am sure, continue to play an important role in this aspect of our economic growth. This is, I suggest, a long-run role, and a mighty important one to our over-all economy and to consumers and to business.

Over shorter periods of time there is apparently less agreement with respect to the economic consequence of our present consumer credit system. This question has been raised again in recent months. Since consumer credit has attained significant magnitude it must be carefully appraised in the context of government policy aimed at providing the best possible setting for continuing, steady economic progress. It is hoped that the current study by the Federal Reserve Board, instituted last spring at the request of President Eisenhower, will make a contribution to a better understanding of the functioning of the consumer credit mechanism. The Joint Economic Committee will give this study careful review and consideration.

Broader Study Urged

The slowing rate of expansion of outstanding consumer credit this year is regarded by some as evidence of the impact on credit sales of the Federal Reserve's action during the past year in raising rediscount rates. Others argue, however, that this effect is of little significance, and that the diminishing rate of advance in fact reflects consumer preferences. The effect of general credit policy on consumer credit and general levels of consumption outlays are some of the many important questions on which we hope the Federal Reserve's report will shed some new light. I might note that our Committee last March, in commenting on the Federal Reserve study, stated that "instalment credit is such an integral part of the modern debt structure that it should not be isolated in this study from consideration of government, corporate, and private debt as a whole." The Federal Reserve was thus urged to broaden substantially its original framework. We hope its report will reflect this broader approach.

The major question at issue is whether consumer credit contributes to stability or instability in economic activity in the short run, and its relationship to other credit. Much concern was expressed last year with the possibility that because of the very rapid advance of credit-financed consumption of durables, we were at the same time developing inflationary pressures and robbing tomorrow's markets. In addition, the apparently easy consumer credit terms, it was argued, might well induce large numbers of people to overburden themselves with obligations, which they might find impossible to discharge if the then current rate of growth were not maintained. Substantial defaults, it was felt, might trigger a recession in the consumer durables market, which would soon spread widely throughout the economy.

While these fears, in retrospect, were not justified, and I so maintained last October, there remains the basic question whether consumer credit accentuates booms and thereby contributes to recessions. It is evident, I think, that we need to know a good deal more of the relationship between consumer credit, total credit, and economic activity generally.

Another major issue concerns the proper government policy approach with respect to consumer credit. We are not concerned here with the problem of providing protection to individual borrowers or lenders. This aspect of control lies largely within the purview of State regulatory agencies. But since the specific terms of credit contracts may significantly affect the demand for and extent of credit extension, these aspects of consumer credit are inescapably of concern to the government in discharging its obligations under the Employment Act.

Selective vs. General Controls

I believe today there is a widespread persuasion that government should rely primarily on general credit action rather than on more specifically pointed control measures of the Regulation W variety. Back of this persuasion is the conviction that if our money markets are substantially free and competitive, policy measures directed toward broad changes in the supply and cost of money will bring forth the appropriate reactions in various sectors of the economy through the free play of market forces. Thus, when inflationary pressures become evident, it is contended, general monetary tightening will serve to exert the appropriate restraints on both consumption and investment, with individual consumers and investors, borrowers and lenders free to make their own decisions in response to the broad changes in market conditions.

On the other hand, we do not know on the basis of the available evidence whether some sectors of the market may not be more or less responsive than others to such broad policy changes. If such in fact is the case—and this is another question with respect to which we hope the Federal Reserve's report will prove enlightening—the use of general credit controls may not be adequate to provide price level stability. Thus, it is argued by some that consumer demand for credit is highly insensitive to the relatively small changes in the cost of such credit which is likely to follow from even quite large changes in the degree of money ease or tightness. If this argument is correct, there are at least some conditions under which relying solely on general credit controls would seem not to be sufficient.

Under circumstances, for example, in which a war emergency requires checking or reducing consumption, general credit controls would probably defeat the paramount objective of expanding war production. But then one can raise the question as to whether direct controls should apply to consumer credit or more appropriately to the scarce goods themselves through allocations and rationing.

Those inclined to the view that consumer credit control is a needed supplementary tool during war periods have argued that consumer credit control is also helpful in the context of broader economic stabilization policies. By directly restricting credit financing of consumption in boom times, it is argued, we might provide greater assurance that consumer durable purchases would be spaced more appropriately through time. Similarly, substantial easing of consumer credit terms in periods of economic downturn, perhaps, would serve to arrest and reverse the decline of consumer durables industries.

Rejects Government Selective Controls

The major reservation against this approach, I believe, is its implications for transferring from the market to the Government, control over the exercise of consumer choices. If all personal consumption were equally affected by any given shift in consumer credit terms, one might regard the effects of direct control of such credit as similar to that of a broad based income tax. In view of the likelihood, however, that some types of consumption would be significantly affected while others would not—or even, possibly, perversely influenced—direct consumer credit control might well be likened, in its effects, to a highly selective and discriminatory system of excises.

It is possible, therefore, that consumer credit regulation might in some cases affect economic stability but at the cost of artificial distortion in our economic processes. Personally, I reject government interferences with consumer choices which result in artificial distortions in economic activity. Whatever their possible role in wartime surely does not apply today when primary emphasis is on individual freedom and increased consumption.

Last year I referred to the contributions to economic growth which consumer credit institutions might make through continued innovation. Our credit institutions have repeatedly demonstrated their vitality, spirit of enterprise and keen competitiveness. This offers us major assurance that the challenge of change, inherent in a growing economy, will continue to be vigorously met by innovations. I think that we can be confident that the rigors of competition will channel these innovations into constructive avenues of development, and that standards of performance and of customer-dealer relationships will continue to improve. Perhaps, in the last analysis, the answer to the questions I've raised will emerge from within your industry through the exercise by all of our consumer credit institutions of the highest statesmanship and concern for the soundness of the economy.

Continued from first page

Inflation: No. 1 Problem

Bolivia and Korea. The purchasing power of their currencies was all but wiped out.

Throughout the world, the aftermath of war and unsound fiscal and monetary policies lie at the root of inflation problems. Most countries are committed to a policy of "so-called" social welfare and of full employment, to be achieved if necessary by deficit financing, credit inflation or as a last resort by use of the printing press. Of course, such are not the means by which social welfare can be achieved. Most governments have been unwilling to face the discipline necessary to avoid depreciation of their monies' purchasing power. There are, of course, a few exceptional countries that have made courageous use of monetary policy to combat inflation.

Our Responsibility

Those of us in the life insurance business must grasp the initiative in this country in leading the fight for sound money. Millions of American citizens have entrusted their life savings to us for safekeeping. We have a legal obligation simply to return to them the number of dollars promised, but we have a moral obligation to use all our influence to see that the dollars promised have the purchasing power expected. We cannot discharge our responsibilities by sitting idly by should government adopt policies which rob policyholders and annuitants of their savings. Inflation works like a cruel and cynical tax that strikes hardest the patriotic and thrifty who have accumulated government bonds, savings accounts, pensions, life insurance and annuities. Inflation destroys part of the benefits to the aged, provided through our Social Security laws. Some people through good fortune or speculation are enriched, while others suffer dreadful hardships. Our objectives of social welfare can become an ironic jest. The inequity of the process shatters faith in our political institutions. When therefore we use our best influence for a stable dollar we are working in behalf of the public interest. Let there be no doubt about that.

The Importance of Knowledge and Understanding

There is crying need for a continuing program of education on the basic causes and evils of inflation. Only an enlightened people will submit to the type of discipline necessary to ensure stability of purchasing power of the dollar. We face a most difficult task because far too many have the mistaken idea that a little inflation is a good thing. They associate inflation with full employment, rising wages, a high level of business activity, good profits, and rising property values. They fail to realize that inflation cannot be meted out in small doses. Even if it were possible, an increase of 2% or 3% a year in the price level would destroy the effectiveness of social benefits whether promised by government or by private corporations. Most people blame government for inflation but behind the government are many individuals and groups demanding inflationary policies or who condone such policies.

There are some students—apparently a small minority — who believe that our immediate problem is to prevent a deflation, accompanied by a serious reduction in production and rising unemployment. It seems to me however that the greatest future danger which we all earnestly wish to guard against, arises from the possibility that we may bring about a chaotic deflation as an unavoidable consequence of a further inflation.

A large number of people have been led to believe that the old-fashioned business cycle has been legislated out of existence, that it now is a thing of the past. They accept the comforting but erroneous notion that we have new and marvelous built-in stabilizers that will keep the economy on a smooth and constantly rising plane; any imbalances, they mistakenly think, will be corrected one at a time by the so-called "rolling adjustments."

Farm price supports, unemployment insurance, large government expenditures, an elastic tax system, Federal Deposit Insurance, better knowledge of credit measures—all are supposed to cushion any decline that might develop. This line of reasoning gives our people a false sense of security and deprives them of a degree of caution they might otherwise exercise. It is my considered judgment that we will continue to have some ups and downs in our economy. I cannot yet believe that we are wise enough to keep constantly expanding without some corrective periods. I suspect that some of the jolts will be rather rough and they probably will hit us, as in the past, at moments when we least expect them. On the other hand I am enough of an optimist to hope that we have learned a great deal in recent years about the workings of our economy. Perhaps we know enough by now to wipe out the extremes of the peaks and valleys.

Economists have made great advances in recent years in producting a vast quantity of statistics, quantitative and qualitative, on the nation's current economic activity. Such data are in common use today. They appear in practically every analysis of business conditions. We know from month to month or from quarter to quarter the Gross National Product, the amount of personal income to families, their disposable income, their taxes, their personal consumption expenditures and savings. We also have running data on debt formation, and on Federal, State and local expenditures. Back in the 1930's none of these measures were available on a current basis. We had no estimates of gross national income. We had only foggy notions of the magnitude of investments or savings. Even the direction of movement of aggregate economic activity was in doubt. A wide variety of guesses by economists as to the depth and severity of the depression of the 1930's was current at the time. Businessmen and government officials had to plan and execute policy decisions in heartbreaking darkness.

I am happy to say that our own business has made a modest contribution to basis economic research in the past decade particularly in the field of savings and investments. This has been accomplished through the industry's investment research program. One of the studies which we have sponsored, Raymond Goldsmith's "A Study of Savings in the United States" was described by the New York "Times" as a "monumental piece of research, giving great promise of helping to ameliorate the business cycle through providing hitherto unavailable information on savings and investments."

We still have far to go in the field of basic economic research. There are large gaps in our knowledge yet to be filled in. For example, we have few reliable data on business inventories, a most vital area if one is to make intelligent analyses. Many of our estimates are crude and need further refinement. Other data become too slowly available to permit maximum usefulness.

Maintain Fed's Free Hand

In recent years invaluable knowledge and experience has been gained on the workings of the Federal Reserve System and the interplay of monetary and fiscal policies. Much of it we learned the hard way. The record in total has not been good but we at least understand some of the reasons why it failed when it did. From the outbreak of World War II until March, 1951, the government was enamored by the idea of financing the war and of refinancing maturing obligations at an absolute minimum of interest expense. There was almost an obsession on low interest rates. The Treasury boasted of the low interest paid on the national debt and created the delusion that the cost of interest in the Federal Budget was the only thing that mattered. During this era the Federal Reserve Board was under the domination of the U. S. Treasury. To keep interest rates low, the Board was compelled to peg the prices of Government bonds at par or above.

Banks could, therefore, sell at any time without loss Government securities which had been accumulated during the war. This gave the commercial banks of the nation vast reserves for the expansion of bank credit and laid the groundwork for an enormous expansion of deposits. From December, 1939 to December, 1950 the money supply, including currency and total bank deposits, increased from $65 billion to $181 billion, a three-fold increase. Of course a considerable part was necessary to finance war activities. The creation of this additional money resulted in a great upward pressure on prices. During this tragic period the dollar lost 48 cents of its purchasing power. An elaborate system of price controls and rationing was imposed in an attempt to contain the inflation, but as we all know, the results were futile. It is now crystal clear that we cannot have artificially low interest rates, stable purchasing power, and a free economy all at the same time. These three factors are incompatible and one or the others must give.

In March, 1951, as a result of courageous action by Federal Reserve officials and under the prodding of Senator Douglas, the Board regained its historical freedom of action. The peg was removed and Federal bond prices were permitted to seek their level in a free market. At that point the Reserve Board regained the initiative in money matters. Its powers have been used at times to restrain inflationary developments and at other times to cushion recessions. As a result, a remarkable degree of stability has been achieved in the last few years.

Here we have had a practical demonstration of what can be accomplished by monetary and fiscal policies intelligently applied. Factors affecting our money supply are only partially under control of the Federal Reserve Board. Actually there are a whole complex of factors converging on the economy at all times. Some of these forces push in the direction of boom, others pull in the direction of depression. The direction in which we move depends upon the relative strength of the various forces. The matter of confidence or lack of confidence on the part of our people, is of supreme importance in determining which way we move. The decisions from day to day of millions of spenders, savers, investors, lenders and borrowers have an important bearing on the course of economic developments. The Board has to maintain flexibility so as to supplement or counteract these movements from day to day. The Board tries to match the supply of credit and purchasing power to the available supply of labor, materials and plant capacity.

For the past 18 months the economy has for all practical purposes been fully employed. Hence, the Board has maintained a relatively tight money market. This was accomplished by limiting the supply of bank reserves to amounts consistent with orderly economic growth and charging a higher rate of discount on reserves borrowed by the banking system to make loans in excess of this amount. The discount rate is the price that commercial banks have to pay to the Federal Reserve Banks for borrowed reserves. As the cost of money goes up to the commercial banks, they raise rates to their customers and they also become more selective in the types of loans they will make. Potential borrowers also tend to change their plans for expansion unless their need for funds is urgent.

Amend 1946 Employment Act

The Federal Reserve Board does not initiate broad movements in the economy. All it can hope to do is recognize the direction we are traveling before we go too far and then use its powers in a manner best calculated to promote moderation. The Board might be regarded like a governor on a piece of machinery, limiting the fuel when momentum gets too great and adding fuel when the load gets heavy. As a broad goal, the Board's policy is to seek full utilization of resources in men, materials, and plants, the maintenance of healthy growth in productive capacity, stability in the buying power of money and an unfettered private enterprise. Our hope for the future rests on the assumption that the Board will continue to be given a free hand to operate as its good judgment dictates.

One thing is certain, the Board will be severely criticized by some businessmen and labor leaders every time it applies measures of restraint. For the foreseeable future restraint will probably be called for more often than ease. Herein lies the danger. Will powerful political groups deprive the Board of its freedom of action? Fortunately in recent months both President Eisenhower and Mr. Burgess of the Treasury Department have reaffirmed and pledged continued independence for the Board. This assurance is most timely because the Board again may be under pressure in the months ahead to provide as much bank credit as desired to finance a great upward surge of expansion beyond the capacity of the country to absorb without further price inflation.

That the Board may have the assurance of continued freedom of action, I would suggest that the Employment Act of 1946 be amended making it clear that its objectives of "maximum employment, production and purchasing power," are to be achieved within the framework of a stable price level. The Board interprets the Act in this light but there are others who give the language quite a different construction, hence the need for clarification.

Those of us who preach the doctrine of sound money and a stable price level should be considered the protectors of economic growth. We want economic growth; but we are convinced that to obtain a continuous growth we must maintain a reasonably stable price level; otherwise we invite an infectious inflation which can put an end to growth, or in fact bring about serious contraction. Some of the periods of greatest growth in our country took place when prices were stable.

Some Other Influences

We have been hearing many questions raised recently whether an upward wage-price spiral is likely to force a further inflation. Unquestionably a rising unit cost of production tends to raise prices. Either prices must be raised in that event or profits decreased inviting less investment in plant and equipment. This can have a major effect on the creation of jobs. And there is a limit beyond which prices cannot be raised without diminishing consumption and production, for not all the population participates in wage increases. You will notice, however, that I am basing this statement on a rsing unit cost of production. When wages are raised without increasing unit costs because of improved efficiency, inflation need not follow.

Herein are posed some serious questions of policy for labor leadership and for business leaders. We should all favor, it seems to me, improvement through automation or other efficiency devices, in the costs of production, as being in the long-range interest of the worker, the consumer, and the investor in business enterprises. It also seems to me that in the interest of all our people and our entire economy, wage increases should be tested carefully against changes in the unit costs of production except when dealing with an individual situation of obvious and gross inequity.

The inflationary impact of wage increases is an area where some cool-headed objective economic research is greatly needed. The Joint Congressional Committee on the Economic Report has a study of this subject under way. The results of this study will be awaited with unusual interest.

Whatever aspect of inflation we may be discussing, the most basic thing to watch is the money supply and its relationship to production. During much of the postwar period there has been an excess of capital expenditures over the volume of national savings, and the additional funds demanded were made available through the operations of our banking system. It should be noted that since there is a limit to the expansion of bank credit that can be put into effect without producing a rising price level, we need to stress the importance of an increase in saving to provide the means for industrial expansion. We look forward hopefully to further expansion of our productive instrumentalities in plant and equipment, stimulated to a great degree by our very large expenditures on research, and if this hope is to be realized without inflation we must work for an increase in the savings to be made available for investment.

American industry is spending for research at a rate of $5 billion annually. This work is oriented mainly to the development of new materials, new designs and new products. Research is a potent and dynamic force which renders obsolete much of our existing plant and equipment. It has been estimated that 20% of all sales in 1959 will be made up of products unknown today. It is important that funds be available to take advantage of such developments, and it is equally important to secure a larger part of such funds from savings than has been true in the recent past.

Thrift and Savings Must Be Increased

During the depression of the 1930's we were told that our economy had reached a point of stagnation because of over-savings. This was the false philosophy of the "mature economy." The "propensity to save" was assailed as an outmodel characteristic of our people. Policies of government were deliberately slanted to discourage savings and

to stimulate spending. Interest rates were held at artificially low levels and rates of taxation were adopted which made savings difficult, especially in the higher income brackets.

It is high time to take a fresh look at these policies. Our situation must be reappraised in light of new problems facing our economy. We have need for tremendous amounts of new capital to finance expansion and to provide jobs for our growing labor force. The soundest and safest way will be to raise as much as possible out of savings. The degree to which we rely on inflationary bank credit will largely determine whether or not we can maintain stable purchasing power.

As a matter of national policy we should do everything possible to stimulate savings by our people. The record already is reasonably good but there is till room for improvement. This means that thrift and savings must again be given a place of high honor. As a first step people must have confidence in the stability of the dollar. We cannot expect people to save and lend expensive dollars if they are likley to be repaid in cheap dollars. As a second condition, there must be provided a decent interest rate as a reward for people who save.

Interest rates have a very special role in our economy. In a free enterprise system they are established by the interplay of market forces. Interest rates perform the important function of influencing the volume of funds flowing into various investment channels. An increase in interest rates reflects a tightening of credit. Higher interest rates tend to elimniate some of the marginal demand for loans and favor saving as opposed to spending. Conversely, lower interest rates reflect a condition of easy money. Lower rates tend to stimulate borrowing and favor spending over savings. Thus it can be seen that the free movement of interest rates performs a very important regulatory function.

In the present situation the demand for funds greatly exceeds the loanable supply and interest rates in consequence have been moving upward. This is as it should be if we are to strike an equilibrium without further inflation. A few dollars spent for higher interest charges is a cheap price to pay if we can avoid further depreciation of the purchasing power of our dollar.

A Challenge for the Life Insurance Business

Here is a challenge made to order for the life insurance business. We represent one of the greatest instrumentalities for savings in the United States. We have one of the most attractive mediums for savings in existence, since the savings are combined with valuable protection against the contingencies of life and death. As has been well said, life insurance dollars are "double duty dollars." Perhaps we should call them "triple duty dollars" for, first, they furnish social protection for our people, second, they provide great reserve pools of savings which are a vital factor in furnishing credit for the growth of our economy, and, third, their use helps to prevent inflation and a depreciated dollar.

In closing, therefore, may I stress the responsibility and the opportunity which lie before all members of the National Association of Life Underwriters and all members of the field forces of the life insurance companies. When we induce an increasing sale of life insurance we can be conscious that we are doing our patriotic duty. Let us all be emboldened to go out and preach with all our vigor the message of protection and the contribution to a stable economy which the purchase of life insurance will make.

Janeway Sees Price Inflation Resulting From Suez Crisis

Noted economic consultant perceives U. S. subjected to new round of "Emergency" price inflation as result of Suez crisis. Contemplates doubling in crude oil price and marked rise in capital goods regardless of Middle East solution.

"The Suez Crisis is about to inject another dose of inflation into American economy," Eliot Janeway told the Better Business Bureau of Milwaukee. Mr. Janeway is President of the Janeway Publishing and Research Corporation of New York, which publishes "Janeway's Memos," a business service.

Eliot Janeway

"The Suez Crisis is still in its early innings," Mr. Janeway said. "It is the latest in the series of explosions touched off by Moscow's exploitation of colonial nationalism. The previous explosion in this series resulted in France's war in North Africa, which has already subjected the French economy to a war inflation.

"No matter whether we buy our way out of the Suez Crisis, or shoot our way out of it, another explosion is coming—soon. And it will subject the American economy to a new round of Emergency inflation.

Two Alternatives—Both Inflationary

"The explosion threatening us now could take one of two forms. Both are inflationary. The first alternative is war. But, ironically, the alternative which is the lesser evil would be even more inflationary than the outbreak of another Korea in the Middle Eastern oil country. This less ominous but more costly alternative is expropriation of the international oil companies.

"And expropriation is coming. The question is whether it will come with or without war. It is because expropriation is coming anyway that the danger of some kind of local war is so great. The hope of retaining control of the Middle Eastern oilfields is too slim to offer France and Britain any incentive to buy a costly peace. This is one reason why Israel is now receiving Lend-lease aid.

"Whether the answer is war or appeasement, Europe will not want for oil. What she is in danger of losing is not her supply of oil, but her supply of cheap oil. As 'Nasserism' spreads throughout the Middle Eastern oil country, Europe will have to turn to the U. S. for expensive oil. America can give Europe all the fuel she needs. We will also give her all the money she needs to buy it — at the inflationary prices in prospect.

Crude Oil Will Double in Price

"Metallic values have approximately doubled since the Korean War. Wage inflation is challenging metallic inflation in the cost-price spiral. Monetary restraints have failed to check the inflationary tide. And now oil values are about to catch up with the inflationary parade. American crude oil is now worth little more than $2 per barrel. 'Nasserism' is about to make it worth $4. The doubling of American oil values will leave no doubt that inflation is here to stay.

"The inflationary impact of 'Nasserism' upon the Gulf Coast and other oil producing areas in America will be tremendous. American oil's catch-up with the inflationary procession will effect capital goods.

"It is realistic," Mr. Janeway concluded, "to be pessimistic about the Suez crisis. And for that very reason, it is just as realistic to be optimistic about the industrial outlook for Milwaukee."

Hornblower & Weeks Becker Group Offers Gardner-Denver Debs.

An underwriting group headed jointly by Hornblower & Weeks and A. G. Becker & Co. Inc., on Oct. 10 offered for public sale an issue of $10,000,000 Gardner-Denver Co. 4¼% convertible subordinated debentures, due Oct. 1, 1976, priced at 101.75% to yield 4.12% to maturity. The debentures are convertible into common stock at $37.125 per share.

Proceeds from the sale will be used by the company to pay $4,500,000 in bank loans incurred to provide additional working capital. The balance of the proceeds will be added to general funds for use as working capital.

Gardner-Denver principal products include rock drills and air tools, air compressors, pumps and portable pneumatic tools. The company has two plants in Quincy, Ill., and plants in La Grange, Mo., Denver, Colo., and Grand Haven, Mich.

Net sales increased from $36,446,573 in 1951 to $47,657,731 in 1955. For the same period net profit increased from $3,385,726 to $4,873,134. For the six months ended June 30, 1956 net sales of $30,518,265 produced net profit of $3,401,271 compared with net sales of $21,441,320 and profit of $2,087,808 for the comparable half of 1955.

The debentures are redeemable at prices ranging from 106% for those redeemed through Sept. 30, 1957 and at declining prices thereafter. A sinking fund will operate to retire $625,000 of the debentures in each of the years 1961 through 1975 at par. The company may also elect to retire for the sinking fund in any year an additional amount not exceeding $625,000.

Herbert S. Towne With King Merritt & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Herbert S. Towne has become associated with King Merritt & Co., Inc., 1151 South Broadway. Mr. Towne was formerly President of Somerset Securities Corporation.

Chester D. Bidwell, also formerly with Somerset Securities, is now with King Merritt & Co., Inc.

Greenberg, Others With Continental Investments

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Gerald M. Greenberg, Robert L. Knodel and Lee L. Rubin have become associated with Continental Investments Inc., C. A. Johnson Building. Mr. Greenberg was formerly President of Greenberg, Strong & Co. Mr. Knodel was with Mountain States Securities Corp.

Robert Ingold

Robert L. Ingold passed away Oct. 3 at the age of 45. Mr. Ingold was head of his own advertising agency in Philadelphia and prior thereto had been an officer of Albert Frank-Guenther Law, Inc.

Public Utility Securities

By OWEN ELY

United Gas Corporation

United Gas Corp. and its wholly-owned subsidiaries compose an integrated natural gas system with annual revenues of $255 million. It is the third largest system, Columbia Gas and Consolidated Natural Gas being somewhat larger. United Gas itself distributes natural gas at retail in Texas, Louisiana and Mississippi. United Gas Pipe Line operates an 8,166-mile transmission line, while Union Producing produces oil and gas. United Gas has a 75% interest in Duval Sulphur & Potash and a 45% interest in Escambia Bay Chemical Co.

The system produces about 20% of its natural gas needs. The company's own proven reserves approximate 4.3 trillion cubic feet while nearly 20 trillion is available under contract. The system also has oil reserves of about 77 million barrels plus controlled natural gasoline, etc., of 61 million barrels.

Revenues are obtained about 80% from natural gas, 8% from crude oil, 6% from gasoline and gas processing, and 6% from sulphur and potash. Gas revenues are about 41% wholesale, 32% industrial, 14% residential and commercial, 11% boiler fuel for power plants, and 2% Government and miscellaneous.

United Gas Corp. has enjoyed rapid growth. Revenues were only $20 million in 1933 but doubled in the next five years and more than doubled again in the next decade, when they reached $92 million. Since that year they have increased about 175%; and in the first half of this year there was an increase of about 13% over last year. Share earnings for this period were $1.29 vs. $1.10 for the same period of 1955.

As with other large gas companies the increases in rates resulting from higher field costs of gas are an important factor in the interpretation of share earnings. Two large rate increases, involving nearly $15 million additional revenues, are now pending before the Federal Power Commission. One of these filings was made in 1955 and has been collected since April 1, 1956, subject to possible refund. The new increase (about $5 million) was made with the Commission May 15 and suspended by the Commission until Nov. 16. A hearing on both rate increases was scheduled for Sept. 24. United Gas is trying to increase its retail rates for gas sold in the City of Houston, which increase would amount to nearly $3 million. An application was filed with the City Council and the case is in progress.

Union Producing's exploration and development program continues to produce good results, two new productive areas having been discovered recently — in Chambers County, Texas, and in Plaquemines Parish, La. Several offshore wells are also being successfully drilled, mainly for oil production. The development of offshore leases acquired by the system was begun last December with the starting of actual drilling 40 miles offshore on a lease jointly owned with one of the major oil companies.

United Gas last year bought about 940 billion cubic feet of natural gas at an average price of about 9½ cents per mcf. The cost of gas has risen steadily from a little over 3 cents a decade ago. The cost of gas together with gas and gasoline royalties last year amounted to nearly $96 million, or about 40% of the system's revenue dollar. Labor costs accounted for nearly 13%, materials and supplies, etc., about 10%, taxes 9%, depreciation, depletion and other writeoffs about 12%, and interest 4%. This left about 11% for common stockholders or $2.03 a share, of which about two-thirds or $1.50 was paid out in dividends.

It is unfortunate perhaps that the company has been unable to develop its production facilities to keep pace with sales. Back in 1931 it was able to produce 75% of its needs and buy only 25%. A decade ago in 1945 it produced 40% and bought 60% of its needs. Last year only 20% was produced and 80% purchased. Thus, like Columbia Gas, it has become involved in rate litigation in attempting to pass along increased field cost to customers. In its application to the FPC, United has claimed a rate of return of 6½%. The FPC in a press release of June 19 questioned some of United's cost allocations and stated that "the increased rates and charges proposed in United's filing (this refers to the increase filed last May) have not been shown to be justified," and also declared that the proposed rate structure was "questionable." The results of the recent hearings are not yet available.

Share earnings for the 12 months ended July 31, were $2.24 a share compared with $1.93 in the previous 12 months. Current earnings include about nine cents contingent earnings for the three months April-June and there will be an additional contingency item beginning Nov. 1. On the other hand purchased costs also included about four cents contingent. Standard & Poor has estimated share earnings for the calendar year 1956 at $2.45, but this may be somewhat on the high side, in our opinion. The stock has been selling recently around 31 to yield 4.8%.

Shearson, Hammill Group Underwrite Food Mart Offer

Food Mart, Inc. is offering to holders of its common stock rights to subscribe to 90,337 shares of its $2 par value common stock on the basis of one share for each eight shares held of record Oct. 9, 1956. The subscription price is $17.50 per share, and rights expire at 3:30 p.m. (EDT) Oct. 23, 1956.

A group headed by Shearson, Hammill & Co. is underwriting the issue and will purchase any unsubscribed shares.

Food Mart, Inc. operates a retail food chain consisting of 57 outlets in Texas and southern New Mexico. Proceeds from the sale of the additional stock will be used for general corporate purposes, including expenditure of some $900,000 for equipment and merchandise for seven new supermarkets which will be opened during the next year, and to provide additional working capital. The company is also contemplating expenditures of up to $2,000,000 for further expansion in 1957.

For the fiscal year ended March 31, 1956, the company reported sales of $35,386,719 and net income of $794,812.

The company initiated quarterly dividends at the rate of 15 cents a share in February, 1955. In May 1956 the quarterly rate was increased to 20 cents and a stock dividend of 5% was paid. Subsequently a 100% stock dividend was authorized, payable on Oct. 8, 1956.

Continued from first page

Auto Industry's Faith in New Prosperity Decade

the automobile business are somewhat handicapped in playing this national pastime. Because our business year begins with model introduction time in the autumn, we don't have any very good excuse for sticking in our two-cent-worth during the regular prediction seasons in January and July. But since our industry does make a rather important contribution to the national economy, I think we deserve a chance to sound off too. So, during the off season, and while the competition among seers and wizards is at a minimum, I'd like to use the imminence of our new model introductions as a pretext for looking toward the future of the economy. If I turn out to be wrong, I hope you'll be charitable enough to forget what I say. If I turn out to be right—well, it's all right if you want to think of me as an oracle, junior grade.

Since we all must operate and do business in the same general economy, and since the automobile industry does have considerable impact on the business community, perhaps you will be interested to know what we at Ford think about the shape of the economy to come during the next few years, and how we expect our industry to fare in that economy. The economic factors which affect the automobile industry appear to exert a similar force upon most other businesses, so I should like to talk in terms of automobiles because that is the economic frame of reference I know best.

Postwar Auto Boom

The growth of the general economy since the end of World War II is, I am sure, an old story. During the war years production of consumer goods was drastically curtailed so that production materials could be diverted to the manufacture of guns, tanks, planes and other implements of war. With only a very short supply of consumer goods on the market, most of our people saved their money for the day when familiar items would once again appear in plentiful supply in our stores and showrooms. The result was that when the war ended there was a tremendous pent up demand for almost every kind of consumer goods; and although people had plenty of money to spend, we did not have the production capacity immediately to stem the tidal wave of demand spread over the country. As you know, industry did shift from war production to consumer production as quickly as possible, and worked overtime to try to catch up the lag in supply, and it is common knowledge that for a number of years we had a seller's market in which most companies could sell all the products they could make. However, the duration of the seller's market varied among industries. Some rather quickly were able to step up supply to meet demand, others were unable to satisfy demand fully for several years.

The automobile industry was in the latter category. We expanded our facilities and stepped up our production as rapidly as possible, but encountered a setback in our efforts when basic materials needed for plant expansion were diverted to defense production during the Korean War.

In 1946 new car registrations totaled 1,815,000 — obviously not nearly enough to satisfy the demand for new cars to replace older models that had been on the road since the late 1930's and early 1940's. Following 1946 the annual new car registrations rose steadily until they reached a peak of 6,236,000 in 1950. Then, under the stress of the Korean War, a new car production was reduced, and new car registrations in 1952 dropped to 4,158,000. By the middle of 1953, however, the industry had begun to catch up with the backlog of demand, and in that year there were 5,739,000 new car registrations. In 1954 there was a reduction in the level of general business activity, and we fell a little more than 200-thousand units short of 1953 levels. But the year 1955 wrote some new records in the automobile business. I think all of us were somewhat surprised by the terrific demand for new cars. The introduction of substantially improved new models in 1955, coupled with a turn-around in general business activity and an easing of credit terms on new cars brought new car registrations for the year to the all-time high of 7,170,000.

New Depth Revealed in 1955 Auto Market

I'd like to discuss a little about that 1955 automobile market at this point, because I think that what happened then gives us some important clues to what we may expect in the future.

Because the 1955 automobile market was such a large one we have spent considerable time and money to find out what happened in that market. We at Ford are pretty well agreed among ourselves that many people held off buying new cars during the mild recession of 1954, but then when that dip levelled out, these cautious people set off on a splurge of buying that was stimulated by the vastly improved new 1955 models. We believe that 1955 revealed a new depth in the automotive market, and that we were not "borrowing from tomorrow" as some have suggested, but rather that we were at last beginning to get car ownership levels more consistent with the size of our adult population and its buying power.

At the beginning of this year there were 48 million households in the United States, and about 47 million cars on the road. With 4.8 million households owning more than one car, and with a large number of cars registered to owners who do not fall within the household category, we still had some 12.7 million households in this country that did not own a car. Although many of these carless households were not financially able to buy cars, we believe that if the general upward trend in family income continues, a large segment of this carless group will soon be able to buy and that this segment will constitute a fertile field for market expansion.

Upgrading and New Customers In 1955

The general upward trend of incomes were reflected in the 1955 automobile market by some very interesting developments. There was a tremendous amount of upgrading of ownership. Our research indicates that a third of all the buyers of new cars in 1955 had previously been used car buyers. Naturally, we are very pleased that almost 2.5 million customers came into the new car market last year for the first time. We believe that most of them, now that they have finally experienced the feeling of pride that comes with new car ownership, will come back for more. They'll come back into the new car market—maybe not this year, maybe not next year, but almost certainly within the next five years.

In addition we found that many who had previously bought the lowest priced new cars, last year graduated to new cars in the medium and higher price ranges. In fact, almost 60% of the cars sold in 1955 were in the price range that starts with the top models in the low price field and goes up through the medium price field which includes the Mercury.

This graduation process has by no means been confined to the automobile industry. It has been a rather general phenomenon in the economy, and the man responsible is the middle income consumer. Despite higher taxes, despite postwar inflation, the middle income consumer has roughly 50% more spending power today than he had a generation ago—in real income about $240 billion. With this increase in spending power he has fed new demands into the production apparatus of industry, accounting for the housing boom, appliance sales, automobile sales, the rush for prepared foods, and for increased consumption of all kinds of goods produced by our mills, mines and farms. He has even entered and virtually captured the once exclusive preserve of the exclusive rich—the luxury market. How did it happen? Through a revolutionary change in the way U. S. income is distributed. During the past five years families with incomes of $5,000-a-year or more have increased from 23% of our population to 39%. That's an upgrading of 16% of our families in only five years. By 1965 we believe that at least half of all American families will be in the $5,000-and-up bracket.

If this upgrading of family incomes does occur—and I believe it will — it will have a lot of significance for business and industry. From the standpoint of the automotive industry, it is of major importance because when families reach the $5,000-and-up bracket a very interesting thing happens. Our market analysts have found that while only 6% of families in the under-$5,000 bracket buy new cars every year, the figure jumps to 20% in the $5,000-and-up bracket. Our analysts also found that these upper bracket families also spend about twice as much for cars as does the income group just below them. Now I don't suppose that the $5,000 figure is magic and that the fellow who makes $4,900 a year suddenly changes his mode of living when he gets a $100 raise, but the $5,000 figure does appear to be something of a dividing line. At any rate we would be glad to see every family in the country across the line.

Did Not Unduly Maximize 1955 Market

There are some who have criticized our industry because they think we were too vigorous in attempting to maximize the 1955 market. They hold that the industry produced and sold too many cars in 1955, and that the lower market of this year is a result of overproduction of 1955 models.

The facts do not square with this argument. The 7,170,000 new cars absorbed by the domestic market in 1955 merely reflected the substantial degree of upgrading in car ownership to levels which could be supported by a sharply rising economy such as we had in 1955. The demand was not artificial. In fact it was not until near the end of 1955 that our company was able to supply our dealers with all the cars their customers wanted.

Some critics seem to suggest that we should have held back production deliberately during 1955 so as to insure a larger market this year. Such a philosophy is completely foreign to the principles which have produced the dynamic growth in our economy. Today's customers may not be there tomorrow. As all of you here well know, business firms, if they hope to meet competition, must push ahead aggressively to meet current demand.

It has also been alleged that heavy production of 1955 models forced overextension of credit last year, and that this overextension has kept buyers out of the market this year. Again I disagree. Since only a small proportion of credit buyers get new cars every year, extensions of credit last year would have very little effect upon new car buyers this year. The current year's market almost always comes principally from people who did not buy a new car the previous year.

At the end of last June automotive installment credit outstanding was $15.1 billion, a rise of $750 billion in the first half of the year as compared with a rise of $2.2 billion in the first six months of 1955. However, total extensions of credit dropped off only 4% ($348 million). The chief reason for the slowing down of credit outstanding was the fact that repayments are running at a much higher rate this year than last.

Meanwhile, automotive installment credit delinquencies are running only about 1.16% of credit outstanding, and repossessions are running only seven-tenths of 1%. All this, plus some other clues, indicates to us that 1955 installment buyers are digesting their debt rapidly and without any stomach ache. We are quite confident that most of those who bought new cars on credit in 1955 will be financially able to enter the new car market again in 1957. Now of course that doesn't necessarily mean that all who are financially able to enter the market will do so next year, but we do believe that many of them will, and that the majority of those who don't buy next year will be shopping for new cars within the next five years.

Current indications are that domestic customers will absorb about six million new automobiles during the current model year. Admittedly that is a considerable drop from the 7,170,000 new cars bought in 1955. However, we should remember this: 1955 was an unusual year, a record-breaking year. Very few of us in the business thought that we would be able to maintain 1955 sales levels consistently, year after year. The automobile business is an enterprise characterized by some rather wide-swinging ups and downs. To look at the 1956 automotive sales year in proper perspective, therefore, it is necessary to scan an extended period. Such an examination will reveal that the six million of sales we expect for 1956 will be some 10% greater than the average for the six years prior to 1955. We fully expect 1956 to be the third best sales year in automotive history, exceeded only by sales in 1955 and 1950.

Shall Exceed 1955 Level

I do not intend to leave the impression by this that we think 1955 sales volume was a freak occurrence or a one-shot deal and that we shall not attain such levels again. Far from that, I believe that in the not-too-distant future we shall handily surpass the 1955 level. At the current level of the economy the 1955 sales level cannot be considered a norm, but the norm is rising with the economy, and before long such a level of production may seem commonplace.

I think the wide fluctuation between 1955 and 1956 sales levels may have brought home some important lessons to our industry. Of course we began years ago to prepare for a buyer's market because we realized that the postwar seller's market could not last forever. However, it is easy to lose sight of such a fact in a year like 1955. There is always a tendency to grow soft and let uneconomic practices slip into an operation when an unusually good year comes long. This year, however, we are all relearning the necessity of economy and tight control in a normal volume year. I think the manufacturing and merchandising lessons which have intruded themselves upon us this year should improve our operations in 1957 and into the future as we gear our business to compete in a tougher buyer's market.

Industry to Sell 6.75 Million Or More Cars

We at Ford expect the 1957 model year to be considerably better than this year. We have made extensive styling and engineering improvements in our own new models which will begin making appearances in showrooms over the next few weeks. If business holds up to the levels we expect, the industry should sell about 6,750,000 new cars, including exports, during the 1957 model year. I should not be at all surprised if sales pass the seven million mark. The conditions for such a sales year are in being — a strong and vibrant economy, vastly improved new car models, a good year-end model cleanup on 1956 models, a strong used car market which will permit trading up with ease, a constant upgrading of family incomes, and a rapid and painless digestion of outstanding credit by installment buyers. Disposable income is likely to average about $285 billion this year, as compared to $271 billion in 1955. It would not be at all surprising to see a $300 billion level before the 1957 model year is over.

The long-run picture is even brighter. Our economy has shown great capacity for growth over the long run. The current level of total output is about 40% above 1946, and over the next 10 years a repetition of the 40% growth achieved in the past 10 years is a realistic objective. As in the past, this growth will not be at a constant rate year after year. In a dynamic economy such as ours, there will be occasional interruptions and pauses. But the prospect for long term growth is excellent.

Sources of Impetus

A part of the impetus for this expanding economy is to be found in population trends which already are in motion. We consider the major portion of the car-buying public to be those persons between the ages of 20 and 64. They are also the best customers for most other kinds of goods and services produced in our economy. That population group is increasing at the rate of about a million a year. The rate of increase has been very steady since 1920, and we believe it will continue to be steady through 1975. However, one of our principal sources of customers is that segment of the population between the ages of 20 and 24—the young people forming families and for the first time buying cars, stoves, refrigerators, washing machines and all the other products young families now require to set up housekeeping. That group has been surprisingly constant in size since 1920, but a drastic change is in the offing. Within the next few years, when our bumper crop of war babies begins to reach adulthood, this segment of our population wil expand rapidly and will become more and more important in terms of buying power. This age group will continue to expand at least through 1975, increasing in number from about 10,800,000 now to approximately

17,300,000 at the end of the 20-year period.

As a result of these population changes there is likely to be a growth from the current 54 million consumer spending units to about 63 million within the next 10 years.

Our economists believe that income per spending unit could be some 22% higher 10 years from now, and if this percentage rise were distributed throughout the income scale, there would be a substantial shift of incomes to the upper brackets.

The combination of sharp increases in the number of consumer spending units and a healthy expansion of income per spending unit should give our economy a strong upward surge to a new and higher plateau. The multi-billion-dollar national highway construction program beginning next year should provide an added upward stimulus. In such an economy we may reasonably expect automobile ownership to rise from the 47 million rate obtaining at the beginning of the year to about 57 million by 1960, and to the 66-67 million range by 1965. At such levels of ownership it would not be surprising to see an 8.5 million new car annual volume become the norm by 1965. We may experience occasional peaks of 9.5 to 10 million annual volume by that time.

A Solid Decade of Prosperity

We at Ford are convinced that the whole economy — and especially the automobile business — is entering a solid decade or more of prosperity. We are so thoroughly convinced of the excellent prospects that we are expanding Ford Motor Company facilities in order to be able to meet the new demand we anticipate. We are convinced to the extent that we are willing to back our conviction with billions of dollars. By the time our currently planned facilities and projects are completed, we shall have spent, since 1946, more than $2.6 billion on facilities alone. In addition, there will have been an outlay of more than a billion dollars for special tools in both manufacturing and assembly operations. So by the end of next year, Ford Motor Company will have spent or committed more than $3.8 billion to become competitive and stay that way in what we expect to be a rapidly expanding market. We regard this commitment as an investment in the future, an attempt to insure that we are geared to tomorrow.

As we at Ford see it, the economy of the future will be firmly based on the word "more." More people, more families, more money to spend, more willingness to spend it, more wants and needs, more public construction of every kind — schools, roads, hospitals, libraries and parks. In such an economy there will be bigger markets and brighter opportunities for all types of business enterprises. We believe success will smile on those management groups which move aggressively and sell hard in what should be a tough, but nevertheless profitable, buyer's market.

With Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

WATERBURY, Conn.—Thomas F. Cassin is now with Schirmer, Atherton & Co., Roger Smith-Elton Hotel.

Joins A. C. Karr Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—David Dial is now connected with A. C. Karr & Co., 3870 Wilshire Boulevard.

Amos C. Sudler

Amos C. Sudler, President of Amos C. Sudler & Co., Denver, passed away Oct. 6, following a long illness.

Continued from page 2

The Security I Like Best

been completed in India, England, Holland and France, as well as other nations where steel was made.

In 1926, through merger with Widdell Engineering Company, the field of petroleum was opened for McKee skill and talent, and, in due course, added opportunities have arisen as the chemical industry was brought into the scope of the company's service. Thus, we find McKee enjoying a position of prime importance in its close association with three segments of industry generally considered basic to world wide economy.

Toward the end of three decades following the Widdell merger, the company had designed, created and placed into operation upward to 2500 projects for nearly 300 world renowned companies involving in excess of one billion dollars of value. A list of concerns served reads like a blue book of the world's greatest steel, oil and chemical processors. They will be found throughout Europe, South America, Mexico, Japan and many other countries as well as in our own industrial centers and Canada. A Canadian subsidiary just recently formed has already become a source of business, with projects under way for Goodrich Rubber, Noranda Mines, Shell Oil, Steel Company of Canada and Algoma. The backlog of orders at the 1955 year-end reveals contracts in process with Socony Mobile, Pittsburgh Consolidated Coal, United States Steel, Jones & Laughlin and Petroleos Mexicana. It is of interest to note that during the past 12 years, McKee has been awarded contracts in Mexico to a total of some $125,000,000. Another noteworthy project now completed in Brazil is a completely integrated steel and iron plant—two miles in length and costing upwards of $80,000,000 or more.

These comments might understandably give rise to the thought that a business of this magnitude requires capital and a lot of it. To the contrary, the McKee balance sheet is not exactly big league when examined alongside any of the "Favorite Fifty." At the 1955 year-end, there were $12½ million of assets to cover liabilities of $4¾ million, a highly satisfactory situation, with the company having outstanding 508,212 shares of common stock, preceded by neither bonds nor preferred issues.

With inventory problems nonexistent and an employe force limited to an estimated 1000 skilled technicians, engineers and office personnel, working capital held at moderate levels may be considered adequate. Modest expansion needs have permitted liberal treatment to shareholders who have been well rewarded in terms of cash dividends. How they have fared in recent years is shown in this tabulation, assuming an initial purchase of 100 shares in early 1946 at 52.

			Dividends Per Share	Total Dividends
1946	100 Shares		$4.00	$400.00
1947	300 "	(3-for-1 Split)	1.58	474.00
1948	300 "		4.00	1,200.00
1949	300 "		4.00	1,200.00
1950	300 "		4.50	1,350.00
1951	300 "		4.50	1,350.00
1952	600 "	(2-for-1 Split)	2.25	1,350.00
1953	600 "		2.40	1,464.00
1954	600 "		2.40	1,464.00
1955	600 "		2.00	1,200.00

Here is shown a commitment of $5,200 providing a return of cash to a total of $11,452 in 10 years and increasing to 600 shares, valued at $19,200 as of mid-September 1956. The stock is listed on the American Stock Exchange and the Midwest Stock Exchange and was recently quoted at 32¼.

During the past decade and a half this has been my "bread and butter" stock. Its splendid 50 year record and its close relationship with three industries committed to programs of expansion suggest a continuation of my high regard for its investment merit. Entering its second half century of impressive growth, ample support is evident for McKee's continuing stature as a leader among world organizations in the field of industrial engineering. I welcome the opportunity to add it to the many fine issues presented to "Chronicle" readers in this Forum.

An Anti-Colonial Power?

"The most extensive Colonial Empire in all history is that of the U. S. S. R. today, supplemented by that of Communist China.

"Steady dilution of the Kazakh population through the resettlement of multitudes of western nationalities is evident.

"The promotion of industry and the exploitation of local resources throughout central Asia have not been accompanied by a corresponding development of housing, consumer goods and public health facilities.

"All creative workers are expected to look to Great Russian models, since 'Socialist' culture is considered synonymous with Russian culture.

"No imperial government in history has imposed on subject peoples such a stultifying uniformity of language, expression and phrase, combined with enforced servility and adulation, as has Moscow in relation to its Central Asian dependencies."—U. S. Information Agency.

Such facts should, but probably will not, put an end to Russia's claim to the status of the anti-colonial power of this day and generation.

Securities Salesman's Corner

By JOHN DUTTON

The Analytical, Advisory Method Of Security Salesmanship

ARTICLE 3

What You Must Know About Your Client's Requirements

The only method that anyone can employ in order to accomplish any given purpose is to first find out what that purpose is! If an investor desires to achieve the maximum of successful results from his invested assets he can only do so if he makes a complete disclosure to his advisor. If you make this point clear to your clients, you will be able to help them. Don't try to set up an advisory relationship with people who do not desire it. Not everyone wants to invest with a purpose in mind. Some people prefer to select their own investments, or gamble on hunches and whims. Each to his own. But for those who desire some help in settling up a complete over-all investment program this is what you should know of their affairs:

Their age: Younger men, middle age men, and older men have specific time limitations placed upon them. Young men can use the power of growth and compound interest better than middle age men. Old men have no time to lose.

Their income: How can you assist investors unless you know in what tax bracket they are located. Insist on this information.

Their family status: Is wife living, is she able to handle money? Do they have children, grandchildren? What do they wish to do regarding the disposition of their estate. Some wives can handle money, others cannot. Some children should be given more responsibility than others.

How is health? Sick, or well, how long does he expect to keep on working?

What and how much are the following assets: Business, real estate, government bonds, savings accounts, savings and loan deposits, checking accounts, and life insurance? How much of the life insurance is owned by the husband, by the wife, what are the present cash values and types of policies in the living estate?

What stocks are owned? When were they purchased and for how much? What stocks are owned in joint tenancy?

How much of the foregoing property is owned in joint tenancy?

Has the investor made a will? If so, obtain a copy and study it in the light of the foregoing information.

Important!

You may ask, why know about such things as the ownership of life insurance, cash values etc. A shift in ownership through the making of a gift will sometimes save substantial inheritance taxes. Cash values give a clue to the amount of gift that must be made.

Or you may ask, why know about joint tenancy? I had a case just last month where a prominent law firm drew up a will for one of my clients (and charged him a substantial fee) and yet they didn't even ask him how much of his estate was already bequeathed to his wife through the use of joint tenancy. There was so little left to which the will applied that the trust which he created through this testamentary document was almost negligible when compared to what he intended doing. How anyone can draw a will without a complete analysis of the foregoing facts and accomplish maximum benefits is beyond understanding, yet it is attempted by supposedly experienced lawyers and others who pose as estate planners.

Assets Can Be Improved

A study of all assets, not alone stocks and bonds, will provide your client with a picture of what is best for him on an overall basis, as follows:

Assets for growth,
Assets for income,
Assets for estate protection,
Assets for retirement,
Assets for heirs.

If there is too much real estate and too little in liquid assets an analysis will indicate this. If there is too much in a closed corporation and too little in cash, governments, or life insurance, this will show up too. If there is too much in speculative stocks, or too much in dollar type assets, this will appear.

If the will is inadequate to protect *those whom your client wishes to protect it can be changed.* If estate taxes can be reduced *without destroying the other plans to protect the living heirs* this can be done. Revocable, irrevocable, and reversionary trusts can be used to accomplish various tax savings, and protect heirs. Life insurance trusts can be used to save on inheritance taxes.

Thorough study of the type of assets, the quality of assets, and *the needs of the investor,* are a must if sound investment and realistic estate planning are to be the objective.

NY Inv. Ass'n to Sponsor Course

The Investment Association of New York in co-operation with the Graduate School of Business Administration of New York University has announced a special course on "The Economics of the Securities Industry for 1956."

The topical program of this conference includes subjects of particular interest to men in the investment banking and brokerage business. On Tuesday, Oct. 9, Dr. Marcus Nadler, Professor of Finance at New York University discussed "the outlook for interest rates." On Thursday, Oct. 18, Martin R. Gainsbrugh, Economist with the National Industrial Conference Board will discuss "the outlook for the domestic economy."

During the following weeks George I. McKelvey, Jr. of Tucker Anthony & R. L. Day will describe Turnpike Problems; Dr. Jules I. Bogen, professor of finance at New York University, will discuss the Impact of Higher Interest Rates on Equities; an officer of the Prudential Insurance Co. will discuss The Importance of Private Placement Financing; George L. Nye, partner of Smith, Barney & Co., will describe Research and Its Importance in Sales; Aubrey G. Lanston of Aubrey G. Lanston & Co. will discuss The Government Bond Market; and Dr. Jules I. Bogen will moderate a panel discussion.

All meetings will be held at the Graduate School of Business Administration of N. Y. U. at 4:00 p.m. Tuition for the special course is $20, and checks should be made payable to the Investment Association of New York and mailed to Edward B. De Selding, Spencer Trask & Co., 25 Broad Street.

With Foster & Marshall

(Special to THE FINANCIAL CHRONICLE)

EUGENE, Oreg. — Myron T. Bagley is with Foster & Marshall, 55 West 10th Avenue.

Railroad Securities

By GERALD D. McKEEVER

Southern Railway

For several reasons the Southern Railway has been obliged to take a breathing spell after its brilliant performance in 1955. In the first place, there has been a slowdown in the whole southern district which may be only temporary, since this area has been one of the outstanding growth sections of the country, this tendency having been accelerated by the decentralization of production during World War II. It was given a further boost after the war by the attraction of many industries to the South by the availability of plants on attractive terms for conversion to the production of civilian goods. This is all in addition to the natural advantages of climate, lower costs and other things which for years had been causing the southward migration of industry, reflected in the case of the Southern by an increase in manufactured and miscellaneous traffic from 39.8% of freight revenues in 1941 to 54.9 last year.

A second factor in the comparative slowdown of the Southern is that this road, in company with others serving the Birmingham district, was adversely affected by the two strikes that idled mills in this area this year. The first, beginning in the latter part of April, was the sympathetic strike against the U. S. Steel plants in the district in support of the walkout of employees of Big Steel's captive railroad, the Tennessee Coal & Iron RR. The second was the industry-wide strike covering the whole month of July. Finally, year-to-year comparisons are made to look worse than they should because 1955 results reflected non-recurring gains from the temporary diversion of traffic in March, April and May of that year from the Louisville & Nashville and its subsidiary, the Nashville, Chattanooga & St. Louis. These roads were strike-bound from the middle of March until the middle of May of last year.

Nevertheless, last year was a remarkable one for the Southern Railway, with new peaks having been established in gross revenues, net income and over-all efficiency, and with a new high in the establishment of new industries and the expansion of existing ones on the lines of the road. Altogether 399 new projects representing an investment of nearly $500 million and estimated additional revenue of just short of $23 million for all roads were undertaken or established, while the outlay for expansion of existing industries was more than twice that of any previous year and nearly four times that of the previous peak year of 1953. As a result, the gain of the Southern Railway in both revenues and ton-mileage far outstripped that of the Southern district for the first time in recent years. Since 1949 the revenue and traffic trends of the Southern had trailed those of the district, and, as a matter of fact, did not show much of a lead over the trend of the Class I total until 1954.

In the absence of evidence of outstanding growth until the past two, or possibly three years, the remarkable gain in the net earnings of the Southern Railway—a gain of over threefold since 1949—is to be largely ascribed to the great strides the road has made in improving operating efficiency. The over-all measure of operating efficiency in freight movement, namely gross ton-miles per freight train-hour, made the new high of 52,466 last year, or more than twice the corresponding figure of 25,198 for 1946. The Southern and its subsidiaries, mainly the Alabama Great Southern, Cincinnati, New Orleans & Texas Pacific, the New Orleans and Northeastern and the Georgia Southern & Florida, as well as all the minor ones, became fully dieselized in June, 1953. Thus the major part—about two-thirds—of the three-fold gain in net referred to above, and which was achieved between 1949 and 1953—was due mostly to the benefits of increasing dieselization. Since 1953 the drive for greater efficiency has centered upon modernization of yards, although a notable step had already been taken in two instances. The fully mechanized yard at Knoxville, Tenn. was completed in 1951 and the Norris yard of its subsidiary, the Alabama Great Southern, at Birmingham was completed in 1952.

This program has been furthered by the completion in 1955 of the Chattanooga "Citico" yard of the Cincinnati, New Orleans & Texas Pacific at the cost of $14 million and the pending construction of a similar "push button" yard at Atlanta which is scheduled to cost $15 million. According to the road's claim, the Atlanta yard will supersede the "Citico" yard as "the most modern in the country." These modern automatic yards in general have proven to cut down the yard time for classification by about 50% and to reduce the operating cost by about the same proportion. They are consequently a most important supplement to dieselization in improving over-all operating efficiency and in controlling the cost of handling and moving trains as reflected in the Transportation Ratio in the face of ever mounting wage costs. The Transportation Ratio of the Southern Railway was reduced from 38.4% in 1948, for instance, to 30.3% in 1955. Reflecting both the wage increases granted in the final months of 1955 and the meager gain in revenues this year, this ratio was 31% for the first eight months of the current year as against 30% for the corresponding period of 1955.

Following a 5% dip in the generally poor month of July, revenues of the Southern Railway were about $75,000 more in August than in the same 1955 month, but the year-to-year gain for the first eight months was only $541,000, or 0.3% more than for the eighth-month period of last year. Nevertheless, the road's net income, up some $509,000 for August alone in spite of the small gain in gross and a moderate increase in maintenance outlay, was up almost $1 million for the eight-month period, or almost twice the increase in gross for the period. What makes this the more remarkable is that it was achieved in spite of an increase of over $8 million in the maintenance outlay as compared with that of the corresponding 1955 period. Common share earnings were 55 cents per share in August of this year as against 46 cents in August, 1955 and $3.57 for the first eight months as against $3.42 for the first eight months of last year.

As a result, it is estimated that the Southern may earn close to $6 per common share this year as against $5.39 in 1955 as adjusted in both cases for the 2½-for-1 split early this year. The presently indicated $2.40 dividend rate continues to represent an ungenerous rate of pay-out which now finds little justification. The road's capital improvement called for the outlay of some $280 million between 1945 and the end of 1955 and the 1956 maturity burden which aggregated $82.8 million as recently as the 1950 year-end both called for a conservative dividend policy. The outstanding development and general bonds, which constituted the bulk of the 1956 maturity load, were progressively reduced by purchases from year to year and the $32.8 million balance was retired at maturity last April 1. The road had amassed $79,276,000 U. S. Government bonds as of the 1955 year-end against this maturity obligation of non-callable debt. The Alabama, Tennessee & Northern 5s will be paid off at their Nov. 1 maturity.

With these obligations out of the way, and undimmed earnings prospects over the longer run, the Southern should be in position to consider another increase in the regular dividend rate or a larger extra for the common. At the current price of about 41½ the indicated 1956 payment of $2.40, adjusted for the 2½-for-1 split, represents a return of about 5.8%.

Blyth-Hornblower & Weeks Group Offers Pacific Finance Debs.

A group of investment firms headed jointly by Blyth & Co., Inc. and Hornblower & Weeks offered for public sale on Oct. 9 $15,000,000 of Pacific Finance Corporation 4⅝% debentures due 1971 at 98.67% and accrued interest, to yield 4.75% to maturity.

The company will apply the proceeds of the sale to the reduction of its short-term bank loans.

The new debentures are not redeemable prior to Oct. 1, 1966 and thereafter are subject to redemption at the principal amount.

Giving effect to this financing the company's long-term debt unsubordinated will amount to $73,650,000 with subordinated debt of $39,300,000. Also outstanding are 240,000 shares of preferred stock 4¾% sinking fund series of $25 par value and 1,084,746 shares of $10 par value common stock.

The company's business, conducted directly or through wholly owned subsidiaries, includes automobile sales financing, consumer loans and the writing of automobile insurance. The company ranks fifth in size among automobile sales finance companies in the United States. It operates in 20 states covering the Pacific Coast region, Midwest and Southwest.

During the five-year period through 1955 annual volume of loans and discounts acquired increased from $317,295,125 to $561,574,450 and for the first six months of this year were $248,291,443. Loans and discounts outstanding at June 30, 1956, amounted to $303,768,041. Earned surplus reported at June 30, 1956 was $12,493,573 and net income for the six months was $2,555,684. Balance at the end of the period was $13,513,345 compared with $12,493,573 for the calendar year 1955.

Two Join Fewel Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—J. Glen Brubaker and Herbert L. Schwarz have become affiliated with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange.

Two With Lester Ryons

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert A. Clark and Willard Dennison have become connected with Lester, Ryons & Co., 623 South Hope Street. Mr. Dennison was formerly with California Investors.

Penington, Colket Admit

Penington, Colket & Co., 70 Pine Street, New York City, members of the New York Stock Exchange, on Nov. 1 will admit Cecil Manus and Allen S. Manus to limited partnership.

Continued from page 5

The State of Trade and Industry

there is slated for Oct. 10 with resumption on 1957's at the three divisions expected around Oct. 15.

Chevrolet also began assembling 1957 trucks the past week as did GMC and Studebaker resulting in a stronger 49% hike in the week's truck programs compared with the previous week's 1956 low-point of 13,316 vehicles, said "Ward's."

The upturn follows a changeover-riddled September car volume of only 190,709 units, the lowest monthly count since 159,660 were rolled in July, 1952. September truck output, at 61,624 completions, represented the lowest net since June, 1946 at 57,807 units.

Of the first nine months' car yield, General Motors garnered 55.20%, compared with 51.54% a year earlier, Ford Motor Co. took 27.11% contrasted with the year-ago 27.23%, Chrysler Corp. 14.29%, down from 16.57% and American Motors and Studebaker-Packard, combined, 3.40%, down from 4.65%.

There was a sharp uplift in the volume of building permits during August, with New York City accounting for most of the rise, Dun & Bradstreet, Inc., reports. The valuation of permits for 217 reporting cities amounted to $615,448,707, the highest August total on record. This was up 10.7% above the $555,829,122 for August, 1955 and 3.7% more than the $593,229,352 for July.

Contemplated construction activity was especially marked in New York City. Several large projects including the new "New York Times" warehouse and printing plant, listed at $40,000,000, lifted the August volume in the Metropolis to $114,957,757. This was an increase of 177.4% over the $41,436,766 for August last year, and 20.4% above the July figure of $95,455,909.

Steel Production Expected to Yield 102.0% of Capacity This Week

October is giving strong promise of a new monthly record for steel production, "Steel" magazine stated on Monday of the current week.

Historically, October and March are the peak steel production months. The record is 10,924,788 net tons of steel for ingots and castings set last March, when the nation's steelmaking capacity operated at 100.2% of capacity.

During the first seven days of October, steel production was at 101.5% of capacity, the national metalwork weekly reports. At this rate, the October output will go a little above 11,000,000 tons, representing an annual rate of 132,000,000 tons. Capacity on Jan. 1 of this year was only 128,400,000 tons. Helping the industry operate at 132,000,000 ton annual rate is the additional capacity that has come into use this year.

Above-capacity steelmaking has been achieved despite sluggishness in certain areas of demand, particularly automotive, "Steel" points out. Part of today's high operations stems from orders carried over from the steel strike period. While many buyers are not pushing for steel, steelmakers see no cause for concern. They view the conservatism in buying as providing the basis for a sounder market than if users were overbuying.

The automobile industry, largest user of steel, could strengthen over-all demand in the months ahead. While automotive orders have been somewhat disappointing, Chicago steel mills said auto makers were taking full steel quotas, and were asking for more.

Steel buying is lagging among the appliance and farm implement producers, but railroads are taking their quotas, and in some instances, seeking more. Shipbuilders' steel needs are rising, and the construction industry can not get enough of the forms of steel it uses.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 102.0% of capacity for the week beginning Oct. 8, 1956, equivalent to 2,511,000 of ingot and steel for castings as compared with 101.8% of capacity, and 2,506,000 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 100.6% and production 2,477,000 tons. A year ago the actual weekly production was placed at 2,330,000 tons or 96.5%. The operating rate is not comparable because capacity is higher than capacity in 1955. The percentage figures for 1955 are based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.

Electric Output Holds to Lower Level of Week Preceding

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Oct. 6, 1956, was estimated at 11,342,000,000 kwh., a decrease below the week ended Sept. 29, 1956, according to the Edison Electric Institute.

This week's output fell 23,000,000 kwh. under that of the previous week; it increased 703,000,000 kwh. of 6.6% above the comparable 1955 week and 2,149,000,000 kwh. over the like week in 1954.

Car Loadings in Week Ended Sept. 29 Rose 1.1% Above Preceding Week

Loadings of revenue freight for the week ended Sept. 29, 1956 increased 9,183 cars or 1.1% above the preceding week, the Association of American Railroads reports.

Loadings for the week ended Sept. 29, 1956, totaled 831,438 cars, an increase of 15,903 cars or 2% above the corresponding 1955 week and an increase of 109,795 cars, or 15.2% above the corresponding week in 1954.

U. S. Car Output Climbed 30% Above Preceding Week

Car output for the latest week ended Oct. 5, 1956, according to "Ward's Automotive Reports," rose 30% above that of the preceding week as car manufacturers turned to the construction of 1957 models.

Last week the industry assembled an estimated 56,583 cars, compared with 43,369 (revised) in the previous week. The past week's production total of cars and trucks amounted to 76,408 units, or an increase of 19,723 units ahead of the preceding week's output, states "Ward's."

Last week's car output rose above that of the previous week

by 13,214 cars, while truck output advanced by 6,509 vehicles during the week. In the corresponding week last year 80,271 cars and 15,622 trucks were assembled.

Last week the agency reported there were 19,825 trucks made in the United States. This compared with 13,316 in the previous week and 15,622 a year ago.

Canadian output last week was placed at 3,150 cars and 903 trucks. In the previous week Dominion plants built 1,384 cars and 1,023 trucks and for the comparable 1955 week 5,369 cars and 934 trucks.

Business Failures Rise Slightly But Hold 9% Under Prewar Level

Commercial and industrial failures edged up to 253 in the week ended Oct. 4 from 251 in the preceding week, Dun & Bradstreet, Inc., reports. Although the toll exceeded the 207 in the comparable week last year and the 230 in 1954, it remained 9% below the prewar level of 279 in 1939.

Failures involving liabilities of $5,000 or more increased to 218 from 215 in the previous week and were considerably above the 163 of this size occurring a year ago. On the other hand, small casualties with liabilities under $5,000, dipped to 35 from 36 last week and 44 in the similar week of 1955. Twenty-three of the failing businesses had liabilities in excess of $100,000 as compared with 21 a week ago.

Construction accounted principally for the week's rise, climbing to 47 from 38. Year-to-year increases prevailed in trade and construction, but manufacturing and service failures fell below the 1955 level.

Geographically, the rise during the week was concentrated in the Middle Atlantic States, up to 83 from 78, the South Atlantic States, up to 29 from 15 and the Pacific States, up to 70 from 52. The other six regions reported mild declines; the toll in the East North Central States dropped to 31 from 46 and in the West South Central States to 11 from 18. Failures exceeded last year's level in seven of the nine major areas; increases from 1955 were noticeably sharp in the East North Central, East South Central and Pacific States. The only declines from a year ago occurred in the West North Central and Mountain Regions.

Wholesale Food Price Index Dropped Sharply To Lowest Level Since April 10

Following the narrow movements of recent weeks, the Dun & Bradstreet wholesale food price index fell rather sharply to $6.00 on Oct. 2, from $6.08 a week previous. This marked the lowest level since April 10 when the index stood at $5.96. The current figure compares with $6.17 on the corresponding date a year ago, or a drop of 2.8%.

Individual price changes during the week revealed advances for oats, bellies, sugar, milk, cottonseed oil, eggs and lambs. Declines occurred in flour, wheat, corn, rye, barley, hams, lard, butter, coffee, cocoa, potatoes, prunes, steers and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Holds to Mild Downward Movement of Week Ago

The general commodity price level, as measured by the Dun & Bradstreet, daily wholesale commodity price index, continued the mild downward movement of the previous week. The index closed at 297.29 on Oct. 2, as compared with 299.25 a week earlier and with 278.20 on the corresponding date a year ago.

Grain markets were generally firm last week although trading was light and buyers appeared cautious.

Wheat finished slightly lower but showed considerable strength in early dealings as the result of continued dry weather in the Southwest, the retirement of acreage for 1957-crop under the Soil Bank program and prospects of increased exports this season. Supporting factors in corn were strength in the cash markets limited country offerings and a good demand from processors.

Weather conditions remained ideal for maturing both the corn and soybean crops. Despite the record crop in prospect, soybean prices were somewhat firmer, reflecting decreased offerings from country shippers and a heavy movement into storage. Volume of trading in grain and soybean futures on the Chicago Board of Trade were down sharply last week. Daily average purchases totaled 41,900,000 bushels, against 53,000,000 the previous week and 70,300,000 a year ago.

Domestic demand for all types of flour was mostly very quiet with some scattered business developing in hard wheat bakery types late in the week. Bookings were confined to small lots for immediate and nearby. Export business in flour was also on the quiet side. Coffee prices were somewhat easier but showed some improvement toward the close.

Demand for new supplies was light as roasters generally bought large quantities in advance of the waterfront labor contract deadline on Sept. 30.

Cocoa prices worked moderately lower with bearish sentiment induced by a weaker trend in London, slow manufacturer interest and the easing of the waterfront labor situation. Warehouse stocks of cocoa totaling 367,689 bags, showed little change for the week and compared with 212,358 bags a year ago. Lard prices were irregular and finished slightly lower. Hog values held fairly steady with market receipts running at about the same rate as a year ago. Prime steers declined moderately after reaching an 18-month high at mid-week.

Cotton prices were steady to firmer last week with trading on the increase in most spot markets. Steadying influences included the rapid rate at which cotton is entering the Government loan and predictions of a tight supply of "free" cotton later in the season.

A preliminary estimate of this year's cotton yield indicated a moderate gain during September, in contrast with the reduction shown in August.

Purchases of the staple in the 14 spot markets last week increased sharply to 454,200 bales, reflecting the sale of 329,000 bales on Sept. 18 by the CCC under the cotton export program. CCC loan entries in the week ended Sept. 21 were up sharply and totaled 152,500 bales, against 123,200 a week earlier.

Trade Volume Stimulated by Sales Promotions Rose 3 to 7% Above Year Ago Level

Sales promotions continued to encourage consumer buying of Fall apparel last week, while the call for furniture, housewares and food products remained at the level of the previous week.

Sales of new and used passenger cars expanded appreciably and were somewhat higher than the year ago level.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 3 to 7% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1955 levels by the following percentages: New England and Southwest +1 to +5; East and Middle West +5 to +9; South +3 to +7; Northwest +2 to +6 and Pacific Coast —4 to 0%.

Apparel stores reported a noticeable increase in purchases of women's cloth coats and better dresses. Popular accesories were millinery, hosiery and handbags. While moderate gains occurred in the buying of lingerie, sweaters and furs, interest in women's suits was sluggish. Volume in men's apparel increased slightly with gains in suits, sport coats and slacks. Sales of topcoats were sustained at a high level. Haberdashers reported an increased call for sportswear, but interest in men's furnishings slackened somewhat.

Consumer purchases of home furnishings were high and steady the past week and were close to those of the corresponding week last year. Interest centered primarily on major appliances and television sets.

Attracted by reduced-price sales promotions shoppers boosted their purchases of draperies and blankets, but sales of linens and floor coverings declined slightly.

Volume in furniture equalled that of the preceding week and best-sellers were dining room sets and upholstered living room chairs.

While the call for butter, cheese and poultry continued at a high level last week, purchases of frest meat and eggs fell moderately. The call for fresh produce and canned goods decreased, but sales of frozen foods mounted considerably.

Wholesale orders continued to climb last week and the total dollar volume was moderately above that of a year ago. The most noticeable gains occurred in women's Fall apparel, textiles and housewares.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Sept. 29, 1956, increased 3% above those of the like period of last yar. In the preceding week, Sept. 22, 1956, an increase of 8% was reported. For the four weeks ended Sept. 29, 1956, an increase of 5% was recorded. For the period Jan. 1, 1956 to Sept. 29, 1956, a gain of 4% was registered above that of 1955.

Retail trade volume in New York City last week rose 8 to 10% above the comparable week a year ago. Trade observers noted that favorable shopping weather was in large measure responsible for the increase.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Sept. 29, 1956, increased 11% above those of the like period last year. In the preceding week, Sept. 22, 1956, an increase of 15% was recorded. For the four weeks ending Sept. 29, 1956, an increase of 7% was registered. For the period Jan. 1, 1956 to Sept. 29, 1956 the index recorded a rise of 5% above that of the corresponding period in 1955.

A.S.E. to Install Electronic Devices

The American Stock Exchange has announced that it has for sometime been investigating, through consulting engineers and manufacturers, the use of the latest electronic devices for improving and expanding its services to members.

In its preliminary report, the Exchange states that it has established the feasibility of co-ordinating the information made available at the posts on the trading floor, its ticker network, and its Quotation Department. It plans to provide to its quotation subscribers opening, high, low, and last sales, and volume figures for all securities, in addition to the current bid and offer. Under the program all of this information will be made available directly to out-of-town subscribers instead of being limited to New York City as under present systems in operation.

The American Stock Exchange has concluded that this step toward automation is necessary to provide its members with essential current market information accurately and speedily. The Exchange is continuing its study, and after additional consultation with a number of electronic experts and firms, will announce the full details of its plans. Complete installation would require approximately 18 months following the granting of a contract.

The study is being conducted under the immediate supervision of Mr. Joseph Reilly, member of the Board of Governors.

Form Heathcote, Ziegler

EL PASO, Texas — Heathcote, Ziegler & Co. has been formed with offices in the First National Bank Building to engage in a securities business. Partners are Earl W. Heathcote and Charles M. Ziegler. Both were previously with B. C. Morton & Co.

Forms Dunn & Co.

BROOKLYN, N. Y.—Edward R. Dunn is engaging in a securities business from offices at 115 Henry Street. Mr. Dunn was formerly with Group Securities, Inc. and Grimm & Co. In the past he was in the investment business in Florida.

Two With Edward Siegler

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Albert Fox and Allan M. Newman have become connected with Edward N. Siegler & Co., Union Commerce Building, members of the Midwest Stock Exchange.

Green, Erb Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Thomas P. Smith is now connected with Green, Erb & Company, Inc., N. B. C. Building, members of the Midwest Stock Exchange.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — John T. Wise is now affiliated with Bache & Co., National City East Sixth Building.

Sidney Goldstein Is Honored by Municipal Law Officers Group

General Counsel of Port of New York Authority cited for great accomplishments in behalf of local governments.

Sidney Goldstein, General Counsel of The Port of New York Authority, received the "Award for Distinguished Public Service" of the National Institute of Municipal Law Officers at a luncheon at its Annual Conference in Omaha on Oct. 10.

Sidney Goldstein

The Award to Mr. Goldstein was described by the Municipal Law Officers "as a token of the esteem in which he is held by municipal attorneys throughout the nation and in recognition of his outstanding contributions to the advancement of municipal government by his able work in developing and adapting the principles of municipal law to the solution of the many new and complex problems of modern municipalities."

It continued: "He has achieved great distinction as a person of rare ingenuity and vigor in the brilliant administration of one of the most taxing legal offices in the world. By his genuine devotion and manifest capabilities he has made a noble contribution to the better terminal, transportation and other facilities of commerce in, about and through the great Port of New York with resulting economies benefiting the entire nation, as well as the States of New York and New Jersey.

"In spite of severe demands on his time and on his energies, he has nevertheless willingly extended himself to the utmost and has cheerfully undergone every sacrifice in order that he might serve the cause of municipal government. As Vice-Chairman and Chairman of the NIMLO Committee on Airports he has displayed that spark of devotion and genius such as has enabled him to make a direct contribution to the development of municipalities throughout the nation. The annual reports of the Committee, presented under his unparalleled direction, remain unsurpassed as masterful statements of the law incident to the most important subject of aviation and constitute a vital contribution to the work of NIMLO.

"In recognition thereof THE NATIONAL INSTITUTE OF MUNICIPAL LAW OFFICERS proudly presents to Sidney Goldstein this award honoring him as a distinguished public servant, whose career of great accomplishment has resulted in tremendous benefits to municipal government and the people of our nation."

With Lakewood Secs.

(Special to THE FINANCIAL CHRONICLE)

LAKEWOOD, Ohio—Joseph M. Kerekes has become associated with Lakewood Securities Corp., 14714 Detroit Avenue. He was formerly with Suburban Securities Co. of Cleveland.

Two With Hemphill, Noyes

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Selvyn Gottlieb and Jerome A. Lambert have joined the staff of Hemphill, Noyes & Co., 9478 Santa Monica Boulevard. Mr. Lambert was previously with Akin-Lambert Co., Inc.,

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.

★ American Discount Co. of Georgia (10/24)
Oct. 3 filed $1,000,000 of 20-year capital debentures, 5.75% series of 1956, due Nov. 1, 1976. **Price**—At par (in units of $1,000 each). **Proceeds**—For working capital. **Underwriters** — Interstate Securities Corp., Charlotte, N. C.; Johnson, Lane, Space & Co., Savannah, Ga.; and A. M. Law & Co., Inc., Spartanburg, S. C.

American Federal Finance Corp., Killeen, Texas
Sept. 5 filed 40,000 shares of class B common stock (par $5) and 400,000 shares of preferred stock (par $5) to be offered in units of 10 preferred shares and one common share. **Price**—$55 per unit. **Proceeds**—To purchase used car paper and to extend the company's operations into the field of new car financing. **Underwriter**—None. J. J. Fain is President.

★ American & Foreign Power Co., Inc. (10/31)
Oct. 5 filed 185,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To Electric Bond & Share Co., which will continue to hold 3,856,985 shares, 53.4% of the total outstanding Foreign Power stock. **Underwriters**—Lazard Freres & Co. and The First Boston Corp., both of New York.

American Insurance Co., Newark, N. J.
Aug. 31 filed 1,750,000 shares of capital stock (par $2.50) being offered in exchange for outstanding 1,750,000 shares of capital stock of American Automobile Insurance Co. of St. Louis, Mo., on a share-for-share basis. This offer is conditioned upon deposit of at least 1,400,000 shares of Automobile stock. Kidder, Peabody & Co. will head group of dealers to solicit tenders. The offer will expire on Oct. 15.

American Petrofina, Inc., New York (10/15)
Sept. 26 filed 1,049,820 shares of class A common stock (par $1), of which 50,000 shares are to be offered to directors, officers and employees and the remaining 999,820 shares are to be offered for subscription by class A common and class B common stockholders of record Oct. 10, 1956 at the rate of one share of new class A stock for each four shares of class A or class B common stock held; rights to expire on Oct. 31. **Price**—To be supplied by amendment (probably around $11 per share). **Proceeds**—For acquisition of other oil properties, expansion of exploration and development facilities and the building up of the refining and marketing phases of the business. **Underwriters**—White, Weld & Co., Blyth & Co., Inc. and Hemphill, Noyes & Co., all of New York.

American Telephone & Telegraph Co.
Aug. 22 filed 5,726,152 shares of capital stock being 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.

Anheuser-Busch, Inc., St. Louis, Mo.
Aug. 30 filed 328,723 shares of common stock (par $4). **Price**—To be supplied by amendment. **Proceeds** — To Estate of Edmee B. Greenough, deceased. **Underwriter**—Lee Higginson Corp., New York. **Offering**—Postponed until latter part of October.

● Ashtabula Telephone Co.
Sept. 5 (letter of notification) 10,000 shares of common stock (par $25) being offered to stockholders of record Sept. 20 on the basis of one new share for each five shares held (with an oversubscription privilege); rights to expire on Oct. 31. **Proceeds**—For general corporate purposes. **Office** — 4616 Park Ave., Ashtabula, Ohio. **Underwriter**—None.

● Astron Corp., East Newark, N. J. (10/12-15)
Sept. 5 (letter of notification) 45,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Van Alstyne, Noel & Co., New York.

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 Mutual 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.

Baton Rouge Water Works Co.
Sept. 11 (letter of notification) 6,946 shares of common capital stock (no par). **Price**—$43 per share. **Proceeds**—For extensions and betterments to water system. **Office**—131 Lafayette St., Baton Rouge, La. **Underwriter**—None.

★ Beneficial Standard Life Insurance Co. (10/25)
Oct. 4 filed 290,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter** — Lehman Brothers, New York.

Bentonite 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.

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.
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 Oct. 11, 1956. **Proceeds** — To reduce bank loans. **Offering** — Has been abandoned.

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 (par $1). **Price**—At net asset value, plus a selling commission of 7½% of the offering price. **Proceeds**—For investment. **Business**—A diversified, open-end investment company of the management type. **Underwriter**—Brown Management Co., 833 Alaska St., Honolulu, Hawaii.

Bucyrus-Erie Co. (10/17)
Sept. 25 filed 311,040 shares of common stock (par $5) to be offered for subscription by common stockholders of record Oct. 16, 1956 at the rate of one new share for each five shares held; rights to expire on Oct. 31, 1956. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Business**—Produces power cranes and excavators in the United States. **Underwriter**—The First Boston Corp., New York.

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.

Burndy Corp., Norwalk, Conn. (10/15-19)
Sept. 27 filed 250,000 shares of common stock (par $1), of which 225,000 shares are to be offered to public and 25,000 shares to employees (latter figure includes 21,000 shares to be sold for account of a selling stockholder). **Price**—To public, $10.25 per share; and to employees, $9.25 per share. **Proceeds**—For expansion of physical plant and for working capital for development of new lines. **Business**—Electrical connectors. **Underwriter** — Van Alstyne, Noel & Co., New York.

Carolina Power & Light Co. (10/16)
Sept. 25 filed 500,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters** — Merrill Lynch, Pierce, Fenner & Beane, New York, and R. S. Dickson & Co., Inc., Charlotte, N. C., and New York, N. Y.

Centers Corp., Philadelphia, Pa. (11/12-16)
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.

Central Illinois Public Service Co. (10/23)
Oct. 1 filed 170,000 shares of common stock (par $10). **Proceeds**—To repay bank loans and 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, Bear, Stearns & Co. and Eastman, Dillon, Union Securities & Co. (jointly). **Bids**—To be received up to 10:30 a.m. (CDT) on Oct. 23.

● Century Controls Corp., Farmnigdale, N. Y.
Aug. 27 filed $600,000 of 10-year 6% debentures. **Price**—90% of principal amount. **Proceeds**—For research and development; expansion; equipment; and other corporate purposes. **Underwriter** — None. **Offering** — Expected in November.

Century Controls Corp., Farmingdale, N. Y.
Aug. 27 filed 120,000 shares of common stock (par $1). **Price**—At market (over-the-counter price in New York). **Proceeds**—To selling stockholder (Ray, Daisley & Co., Inc.) **Underwriter**—None.

★ Century Controls Corp.
Oct. 4 (letter of notification) $150,000 of 6% subordinate convertible debentures. **Price**—90% of principal amount (in denominations of $100 each). **Proceeds** — To pay notes payable, reduce accounts payable and to pay other current liabilities; also for working capital. **Office**—Allen Boulevard, Farmingdale, L. I., N. Y. **Underwriter**—None.

● Century Food Markets Co. (10/16)
Aug. 30 filed $2,000,000 of convertible subordinated debentures and 40,000 shares of common stock (par $1) to be offered in units of $50 of debentures and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loan, for expansion and working capital. **Underwriter**—H. M. Byllesby & Co., Inc., Chicago, Ill. **Office**—Youngstown, Ohio.

Chinook Plywood, Inc., Rainier, Ore.
Sept. 4 filed 200 shares of common capital stock. **Price**—At par ($3,000 per share). **Proceeds**—For acquisition of a plant site, construction of a mill building, purchase and installation of machinery and equipment, and as operating capital. **Underwriter** — Industry Developers, Inc.

Chisago City Telephone Co., Chisago, Minn.
Sept. 6 (letter of notification) 1,000 shares of common stock to be offered to stockholders. **Price**—At par ($25 per share). **Proceeds** — For new construction. **Underwriter**—None.

Christiana Oil Corp. (10/24)
Sept. 26 filed 400,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To retire $2,500,000 of outstanding term bank loans and for other corporate purposes. **Underwriters** — Laird & Co. Corporation, and Model, Roland & Stone, both of New York.

● Citizens Credit Corp., Chevy Chase, Md.
Aug. 27 (letter of notification) 15,500 shares of class A common stock (par $12.50), being offered for subscription by stockholders of record July 31 at rate of one new share for each 25 shares held; rights to expire on or about Oct. 24. **Price**—$17 per share. **Proceeds**—For working capital, etc. **Underwriter**—The Matthew Corp., Washington, D. C.

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. and Copley & Co., both of Colorado Springs, Colo.

● Columbia Baking Co., Atlanta, Ga.
Aug. 17 filed 26,768 voting trust certificates, each representing the beneficial interest in one share of common stock (no par), to be offered for subscription by holders of outstanding common stock and participating preferred stock on the basis of one voting trust certificate for each eight shares of either class of such stock then held (with an oversubscription privilege); subscription warrants to be good for a period of three weeks. **Price**—$25 per share. **Proceeds**—To reduce bank loans. **Underwriters**—The Robinson-Humphrey Co., Inc. and J. H. Hilsman & Co., both of Atlanta, Ga. **Offering**—Postponed.

Commonwealth Edison Co., Chicago, Ill. (10/17)
Sept. 27 filed 400,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment.

Proceeds—For expansion program. **Underwriters**—The First Boston Corp. and Glore, Forgan & Co., both of New York.

Connecticut Power Co.
Sept. 27 (letter of notification) 4,275 shares of common stock (par $25). **Price**—$37.50 per share. **Proceeds**—For construction program. **Office** — 176 Cumberland Ave., Wethersfield, Conn. **Underwriter**—None.

Consolidated Edison Co. of N. Y., Inc. (10/23)
Sept. 21 filed $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.

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 Casualty Co., Chicago, Ill.
Sept. 28 filed 625,000 shares of capital stock (par $5) to be offered in exchange for outstanding capital stock of National Fire Insurance Co. of Hartford at rate of 1¼ shares of Continental stock for one share of National stock. The offer is conditional upon the acceptance of at least 51% (255,000 shares) of National stock.

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.

Cro-Plate Co., Inc.
Aug. 22 (letter of notification) 4,123 shares of common stock (par $5) to be offered to stockholders on the basis of one share for each two shares now held or one share for each warrant held. **Price**—$9.50 per share. **Proceeds**—For working capital, etc. **Office** — 747 Windsor St., Hartford, Conn. **Underwriter**—None.

● **Dalton Finance, Inc., Mt. Ranier, Md. (10/15)**
Sept. 28 (letter of notification) $250,000 of 6% 10-year subordinated debentures (with warrants attached) and 25,000 shares of class A common stock (par 50 cents) to be offered in units of one $500 debenture and 50 shares of stock. **Price**—$525 per unit. **Proceeds**—For working capital. **Underwriter** — Whitney & Co., Inc., Washington, D. C.

Devall Land & Marine Construction Co., Inc.
May 16 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For payments of notes, to purchase and equip three boats and working capital. **Office**—1111 No. First Ave., Lake Charles, La. **Underwriter**—Vickers Brothers, Houston, Texas. Statement effective.

Diversified Oil & Mining Corp., Denver, Colo.
Aug. 29 filed 2,500,000 shares of 6% convertible noncumulative preferred stock, first series (par $1), and warrants to purchase 500,000 shares of common stock (par 10 cents) to be offered for subscription initially by common stockholders in units of 25 preferred shares and a warrant to purchase five common shares. **Price**—$25.50 per unit (each warrant will entitle the holder to purchase one common share at any time prior to Dec. 31, 1957 at $2 per share). **Proceeds**—To repay mortgages, to $1,312,500 of five-year 6% sinking fund debentures, and for further acquisitions and working capital. **Underwriter**—To be named by amendment.

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.

Douglas Oil Co. of California
Sept. 17 filed $3,500,000 of debentures due 1968, with warrants to purchase 350,000 shares of $1 par value common stock. **Price**—100% of principal amount. **Proceeds** — Approximately $1,200,000 to retire outstanding 5% secured notes; $1,000,000 for repayment of short-term bank loans; $850,000 for construction of a unifying unit and a topping unit; and $350,000 for operating capital. **Underwriter** — Shearson, Hammill & Co., New York. Statement withdrawn Sept. 26.

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. Subscriptions will be received by the company Oct. 1 through Oct. 26. **Price**—$60 per share. **Proceeds**—For expansion, etc. **Underwriter**—None.

Eastern-Northern Explorations, Ltd.
June 4 (regulation "D") 500,000 shares of common stock (par $1). **Price**—60 cents per share. **Proceeds**—For general corporate purposes. **Office**—Toronto, Canada. **Underwriter**—Foster-Mann, Inc., New York.

Eternalite, Inc., New Orleans, La.
Sept. 24 filed 200,000 shares of class A common stock (par 50 cents). **Price**—$4.50 per share. **Proceeds**—To repay loan; for maintenance of and increase of inventory; for development of branch offices; and for research, laboratory tests, and testing equipment. **Underwriter**—Vickers Brothers, New York.

★ **Excelsior Insurance Co. of New York (10/15)**
Oct. 3 (letter of notification) 25,000 shares of common stock (par $6) to be offered for subscription by stockholders of record Oct. 10, 1956 at the rate of one new share for each seven shares held; rights expire on Nov. 15, 1956. **Price**—$10 per share. **Proceeds**—For working capital. **Office** — 123 Erie Boulevard East, Syracuse, N. Y. **Underwriter**—None.

★ **Federal Manufacturing & Engineering Corp.**
Oct. 1 (letter of notification) 198,900 shares of class B capital stock to be offered for subscription by stockholders on the basis of 85 shares for every 100 shares of class A stock held; rights to expire 30 days after date of offering. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Office**—1055 Stewart Ave., Garden City, N. Y. **Underwriter**—None.

● **Food Mart, Inc., El Paso, Texas**
Sept. 18 filed 90,337 shares of common stock (par $2) being offered for subscription by common stockholders of record Oct. 9, 1956 at the rate of one new share for each eight shares held; rights to expire on Oct. 23, 1956. **Price** — $17.50 per share. **Proceeds** — For expansion, equipment and working capital. **Underwriter**—Shearson, Hammill & Co., New York.

● **Four Wheel Drive Auto Co. (10/15-19)**
Sept. 12 filed $1,500,000 of convertible debentures due Oct. 1, 1971. **Price** — To be supplied by amendment. **Proceeds**—$130,058 to retire 4½% sinking fund debentures due July 1, 1957; and for expansion program and working capital. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill.

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.

Genco Oil Co., Inc.
Aug. 24 (letter of notification) 55,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For oil development expenses. **Office** — 1907 Broadway Ave., Scottsbluff, Neb. **Underwriter** — Edward C. Colling, Scottsbluff, Neb.

General Credit, Inc., Washington, D. C.
Aug. 17 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital. **Underwriter** — None named. Offering to be made through selected dealers.

Continued on page 40

NEW ISSUE CALENDAR

October 12 (Friday)

Astron Corp._____Common
(Van Alstyne, Noel & Co.) 45,000 shares

Southwest Grease & Oil Co._____Common
(Small-Milburn Co., Inc.; Brooks & Co.; and Lathrop, Herrick & Clinger, Inc.) $300,000

October 15 (Monday)

American Petrofina, Inc._____Class A Common
(Offering to stockholders—to be underwritten by White, Weld & Co.; Blyth & Co., Inc.; and Hemphill, Noyes & Co.) $10,998,020

Burndy Corp._____Common
(Van Alstyne, Noel & Co.) $2,306,250

Dalton Finance, Inc._____Debentures & Stock
(Whitney & Co., Inc.) $262,500

Excelsior Insurance Co. of New York____Common
(Offering to stockholders—without underwriting) $250,000

Four Wheel Drive Auto Co._____Debentures
(A. C. Allyn & Co., Inc.) $1,500,000

Gold Seal Dairy Products Corp._____Class A Stock
(All States Securities Dealers, Inc.) $1,000,000

Knox Corp._____Class A Common
(Ira Haupt & Co.) 150,000 shares

Oxford Loan Co._____Debentures
(Walnut Securities Corp.) $250,000

Winter Park Telephone Co._____Preferred
(Security Associates, Inc.) $300,000

October 16 (Tuesday)

Carolina Power & Light Co._____Common
(Merrill Lynch, Pierce, Fenner & Beane and R. S. Dickson & Co., Inc.) 500,000 shares

Century Food Markets Co.____Debentures & Com.
(H. M. Byllesby & Co., Inc.) $2,000,000 of debentures and 40,000 shares of stock

Georgia-Pacific Corp._____Common
(Blyth & Co., Inc.) about 500,000 shares

New York, New Haven & Hartford RR.
Equip. Trust Ctfs.
(Bids to be invited) $2,766,750

October 17 (Wednesday)

Bucyrus-Erie Co._____Common
(Offering to stockholders—underwritten by The First Boston Corp.) 311,040 shares

Commonwealth Edison Co._____Preferred
(The First Boston Corp. and Glore, Forgan & Co.) $40,000,000

Reading Co._____Equip. Trust Ctfs.
(Bids noon EDT) $5,220,000

Standard Pressed Steel Co._____Common
(Kidder, Peabody & Co.) 25,800 shares

October 18 (Thursday)

Minneapolis, St. Paul & Sault Ste. Marie RR._____Equip. Trust Ctfs.
(Bids noon CST) $2,640,000

October 22 (Monday)

Hartfield Stores, Inc._____Common
(Van Alstyne, Noel & Co. and Johnston, Lemon & Co.) $2,160,000

International Bank of Washington, D. C.____Ctfs.
(Johnston, Lemon & Co.) $1,000,000

Jacobs (F. L.) Co._____Debentures
(McLaughlin, Cryan & Co. and Gearhart & Otis, Inc.) $3,000,000

United Cuban Oil, Inc._____Common
(S. D. Fuller & Co.) $2,500,000

Van Horn Butane Service Co._____Preferred
(Schwabacher & Co., Inc. and J. Barth & Co.) $1,675,000

October 23 (Tuesday)

Central Illinois Public Service Co._____Common
(Bids 10:30 CDT) 170,000 shares

Consolidated Edison Co. of New York, Inc.__Bonds
(Bids to be invited) $40,000,000

Hawaii (Territory of)_____Bonds
(Bids 10 a.m. EDT) $12,000,000

TEMCO Aircraft Corp._____Debentures
(A. C. Allyn & Co. Inc. and Keith Reed & Co.) $5,000,000

October 24 (Wednesday)

American Discount Co. of Georgia____Debentures
(Interstate Securities Corp.; Johnson, Lane, Space & Co.; and A. M. Law & Co., Inc.) $1,000,000

Central of Georgia Ry._____Equip. Trust Ctfs.
(Bids noon EDT) $840,000

Christiana Oil Corp._____Common
(Laird & Co. Corp. and Model, Roland & Stone) 400,000 shares

Holiday Oil & Gas Corp._____Common
(Whitehall Securities Corp.) $1,500,000

Houston Natural Gas Corp._____Preference
(The First Boston Corp.) $10,000,000

National Steel Corp._____Bonds
(Kuhn, Loeb & Co.; The First Boston Corp.; and Harriman Ripley & Co. Inc.) $55,000,000

Underwood Corp._____Debentures
(Lehman Brothers) $5,000,000

October 25 (Thursday)

Beneficial Standard Life Insurance Co.____Common
(Lehman Brothers) 290,000 shares

October 29 (Monday)

Miami Window Corp._____Debentures & Common
(Arthur M. Krensky & Co., Inc.) $1,125,000

Schick, Inc._____Common
(Merrill Lynch, Pierce, Fenner & Beane and Hayden, Stone & Co.) 500,000 shares

October 30 (Tuesday)

Ohio Power Co._____Bonds
(Bids 11 a.m. EST) $28,000,000

Ohio Power Co._____Preferred
(Bids 11 a.m. EST) $6,000,000

Pacific Lighting Corp._____Preferred
(Blyth & Co., Inc.) $20,000,000

Quebec Hydro-Electric Commission___Debentures
(The First Boston Corp. and A. E. Ames & Co., Inc.) $35,000,000

Standard Register Co._____Common
(Merrill Lynch, Pierce, Fenner & Beane) $6,500,000

October 31 (Wednesday)

American & Foreign Power Co., Inc._____Common
(Lazard Freres & Co. and The First Boston Corp.) 185,000 shares

Texas Power & Light Co._____Preferred
(Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; and Merrill Lynch, Pierce, Fenner & Beane) 100,000 shares

November 1 (Thursday)

Mobile Gas Service Corp._____Common
(Offering to stockholders—no underwriting) 30,000 shares

National Bank of Detroit_____Common
(Offering to stockholders—to be underwritten by Morgan Stanley & Co.) 263,400 shares

Pittsburgh & Lake Erie RR.____Equip. Trust Ctfs.
(Bids to be invited) $7,305,000

November 5 (Monday)

National City Bank of Cleveland_____Common
(Offering to stockholders—to be underwritten by Merrill, Turben & Co., Inc.) $5,000,000

November 8 (Thursday)

Pyramid Productions, Inc._____Common
(E. L. Aaron & Co.) $1,000,000

November 12 (Monday)

Centers Corp._____Debentures & Common
(Blair & Co. Incorporated) $8,000,000

November 14 (Wednesday)

Public Service Electric & Gas Co._____Bonds
(Bids 11 a.m. EST) $50,000,000

Sierra Pacific Power Co._____Bonds
(Bids to be invited) $3,000,000

November 16 (Friday)

Chase Manhattan Bank_____Common
(Offering to stockholders—to be underwritten) $1,000,000 shares

November 20 (Tuesday)

Texas Power & Light Co._____Bonds
(Bids to be invited) $10,000,000

November 27 (Tuesday)

Carolina Power & Light Co._____Bonds
(Bids to be invited) $15,000,000

December 4 (Tuesday)

Michigan Bell Telephone Co._____Debentures
(Bids to be invited) $30,000,000

January 15, 1957 (Tuesday)

Louisiana Power & Light Co._____Bonds
(Bids to be invited) about $20,000,000

Continued from page 39

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.

Georgia-Pacific Corp., Portland, Ore. (10/16)
Sept. 25 filed a maximum of 500,000 shares of common stock (par $1), the number of shares to be dependent on market conditions at time of offering and will be determined with a view to providing the company with net proceeds of approximately $15,000,000. **Proceeds**—For acquisition of all assets of Hammond Lumber Co.; for construction of a new mill; and for general corporate purposes. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

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. (10/15)**
Sept. 20 filed 200,000 shares of class A stock (par 10 cents) of which 15,000 shares will be reserved for sale to employees at $4.55 per share. **Price**—$5 per share to public. **Proceeds**—For expansion and to repay outstanding obligations. **Office**—Remsen, N. Y. **Underwriter**—All States Securities Dealers, Inc., New York.

Great Northern Life Insurance Co.
Sept. 20 (letter of notification) 44,000 shares of common stock (par $1). **Price**—$6.75 per share. **Proceeds**—For working capital and unassigned surplus. **Office** — 119 West Rudisill Blvd., Ft. Wayne, Ind. **Underwriter** — Northwestern Investment, Inc., Ft. Wayne, Ind.

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.

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.

Hartfield Stores, Inc. (10/22-26)
Oct. 2 filed 240,000 shares of common stock (par $1). **Price**—$9 per share. **Proceeds**—To certain selling stockholders. **Underwriter**—Van Alstyne, Noel & Co., New York; and Johnston, Lemon & Co., Washington, D. C.

Hawaiian Electric Co., Ltd., Honolulu
Sept. 21 filed 77,000 shares of common stock (par $20) to be offered for subscription by common stockholders at rate of one new share for each 10 shares held as of Oct. 1; rights to expire on Nov. 5. **Price**—$20 per share. **Proceeds**—For plant expansion program. **Underwriter**—None.

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.

● **Holiday Oil & Gas Corp. (10/24)**
Sept. 21 filed 500,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To repay bank loans; to drill some 36 proven locations on now producing leases; and for working capital. **Office**—Arkansas City, Kan. **Underwriter** — Whitehall Securities Corp., New York.

Houston Natural Gas Corp. (10/24)
Oct. 1 filed 100,000 shares of convertible preference stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—As part payment for all of the capital stock of Houston Pipe Line Co. to be purchased from The Atlantic Refining Co., according to purchase agreement signed Aug. 10, 1956. **Underwriter**—The First Boston Corp., New York.

Inter-Mountain Telephone Co.
Sept. 6 filed 285,000 shares of common stock (par $10) being offered for subscription by common stockholders of record Sept 15 in the ratio of two new shares for each five shares held; rights to expire on Oct. 12. **Price**—$10 per share. **Proceeds**—To repay bank loans and for additions and improvements to property. **Office**—Bristol, Tenn. **Underwriter**—Courts & Co., Atlanta, Ga., will underwriter 156,672 shares. The remaining 128,328 shares will be purchased by two stockholders, viz: Southern Bell Telephone & Telegraph Co. and The Chesapeake & Potomac Telephone Co. of Virginia.

● **International Bank of Washington, D. C. (10/22-26)**
Sept. 28 filed $1,000,000 of time certificates, series B, C and D. **Price**—At 100% of principal amount. **Proceeds**—For working capital. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

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.

★ **Jacobs (F. L.) Co. (10/22-26)**
Oct. 4 filed $3,000,000 of 6% convertible debentures due Nov. 1, 1966. **Price**—100% of principal amount. **Proceeds**—To pay short-term loans and for working capital. **Underwriters**—McLaughlin, Cryan & Co. and Gearhart & Otis, Inc., both of New York.

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.

Johns-Manville Corp.
Sept. 12 filed 648,696 shares of common stock (par $5) being offered for subscription by common stockholders of record Sept. 28, 1956 at the rate of one new share for each 10 shares held; rights to expire on Oct. 17. **Price**—$40 per share. **Proceeds**—For plant expansion and improvements, working capital and other corporate purposes. **Underwriter**—Morgan Stanley & 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.

Kinney Loan & Finance Co.
Sept. 11 (letter of notification) $150,000 of 6% sinking fund capital debentures, series A, due Sept. 1, 1971. **Price**—At par in denominations of $1,000 each. **Proceeds**—For working capital. **Office** — 911 Tenth St., Greeley, Colo. **Underwriter**—Wachob-Bender Corp., of Omaha and Lincoln, Neb.

● **Knox Corp., Thomson, Ga. (10/15-19)**
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.

Kusan, Inc., Nashville, Tenn.
Aug. 29 filed 116,624 shares of common stock (par $1). **Price**—$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. **Offering**—Expected this week.

★ **Lincoln Telephone & Telegraph Co.**
Oct. 1 (letter of notification) 6,653 shares of common stock (par $16⅔) to be offered to common stockholders of record Sept. 17, 1956 on the basis of one new share for each 30 shares held. **Price**—$40 per share. **Proceeds**—For working capital, etc. **Office**—1342 M St., Lincoln, Neb. **Underwriter**—None.

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 (by amendment) 180,000 shares of 4.40% cumulative convertible preferred stock, series G (par $100) being first offered for subscription by common stockholders of record Sept. 28, 1956, at rate of one preferred share for each 38 shares of common stock held); rights to expire on Oct. 15. **Price**—At par ($100 per share). **Proceeds**—To repay bank loans. **Underwriters**—Blyth & Co., Inc., The First Boston Corp. and W. C. Langley & Co., all of New York.

★ **Lorain Telephone Co.**
Oct. 1 (letter of notification) 4,994 shares of common stock (no par) to be offered to stockholders on the basis of one share for each 20 shares now held. **Price**—$25 per share. **Proceeds**—To reimburse company for additions to property in Ohio and for other corporate purposes. **Office**—203 West Ninth St., Lorain, Ohio. **Underwriter**—None.

Loyal American Life Insurance Co., Inc., Mobile, Ala.
Sept. 28 filed 230,000 shares of common stock (par $1) to be offered for subscription by common stockholders of record Oct. 15, 1956 at the rate of one new share for each three shares held. **Price**—To be supplied by amendment. **Proceeds**—To increase capital and surplus. **Underwriters**—J. H. Goddard & Co., Inc., Boston, Mass., and Thornton, Mohr & Farish, Montgomery, Ala.

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.

● **Madison Gas & Electric Co., Madison, Wis.**
Sept. 10 filed 68,334 shares of common stock (par $16) being offered for subscription by common stockholders of record Oct. 1, 1956 on the basis of one new share for each five shares held; rights to expire Oct. 29. **Price**—$40 per share. **Proceeds** — For construction program. **Underwriter**—None.

Mascot Mines, Inc.
July 9 (letter of notfication) 280,000 shares of common stock (par 17½ cents). **Price**—25 cents per share. **Proceeds**—For payment on properties; repayment of advances; exploration and development and working capital. **Office**—508 Peyton Bldg., Spokane, Wash. **Underwriter**—Standard Securities Corp., Spokane, Wash.

Matador Oil Co.
Aug. 24 (letter of notification) 120,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For development of oil and gas. **Office**—130 South Fourth St., Las Vegas, Nev. **Underwriter**—Mountain States Securities Corp., same city.

Miami Window Corp., Hialeah, Fla. (10/29-11/2)
Sept. 26 filed $750,000 of 10-year 6% convertible sinking fund debentures, due Nov. 1, 1966, and 150,000 shares of common stock (par 50 cents). **Price**—Of debentures, 98½%; and of stock, $2.50 per share. **Proceeds**—For machinery and equipment and general corporate purposes, including inventory and accounts receivable, payments of indebtedness and general working capital. **Underwriter**—Arthur M. Krensky & Co., Inc., Chicago, Ill.

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.

Minerals, Inc., New York
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. **Offering**—Postponed.

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.

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.

★ **Mutual Trust, Kansas City, Mo.**
Oct. 5 filed (by amendment) 500,000 additional shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

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 Life of America, Mitchell, S. Dak.
Sept. 21 filed 86,784.7 shares of common stock (par $5) to be offered for subscription by each of the company's 23,279 policyholders on and as of July 31, 1956 at the rate of 1½ shares of such stock and the balance of the shares to be exchangeable for Founders certificates and coupons issued by National Life as a part or feature of certain life insurance policies. **Price**—$7.50 per share. **Proceeds**—For working capital and other corporate purposes. **Underwriter**—None.

National Old Line Insurance Co.
Nov. 15, 1955 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 Steel Corp. (10/24)**
Oct. 4 filed $55,000,000 of first mortgage bonds due 1986. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriters**—Kuhn, Loeb & Co., The First Boston Corp. and Harriman Ripley & Co. Inc., all of New York.

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.

North Pittsburgh Telephone Co.
Sept. 12 (letter of notification) 6,000 shares of common stock to be offered to holders of common stock of record of Sept. 15, 1956 on the basis of one new share for each four shares held. **Price**—At par ($25 per share). **Proceeds**—To reduce demand note. **Address**—Gibsonia, Allegheny County, Pa. **Underwriter**—None.

★ **Ocean City Pier Corp., Berlin, Md.**
Oct. 4 filed $2,000,000 of 6% debenture bonds due July 1, 1976, and 4,000,000 shares of common stock (par one cent) to be offered in units of one $100 bond and 200 shares of stock. **Price**—$300 per unit. **Proceeds** — For construction and operation of amusement pier. **Underwriter** — Paul Korns, a director, of Johnstown, Pa. Lt. Col. James A. Grazier of Whaleysville and Ocean City, Md., is Chairman of the Board.

Ohio Power Co. (10/30)
Sept. 20 filed $28,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program and to repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Eastman Dillon, Union Securities & Co., 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. (EST) on Oct. 30.

Ohio Power Co. (10/30)
Sept. 20 filed 60,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Blyth & Co., Inc.; Kuhn Loeb & Co.; Eastman Dillon, Union Securities & Co. 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. (EST) on Oct. 30.

Oxford Loan Co. (10/15)
Sept. 17 (letter of notification) $250,000 of 6% renewable debentures payable (upon demand) Sept. 10, 1961. **Price**—At face amount (in denominations of $100 and $500 each). **Proceeds** — For working capital. **Office** — 2233 North Broad St., Philadelphia, Pa. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

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.

★ **Peerless Life Insurance Co., Dallas, Texas**
Oct. 8 (letter of notification) 11,500 shares of common stock (no par). **Price**—$25 per share. **Proceeds** — For general corporate purposes. **Office** — 1310 Gulf States Bldg., 109 North Akard St., Dallas, Tex. **Underwriter**—Newborg & Co., New York.

★ **Pittsburgh Consolidation Coal Co.**
Oct. 3 filed 2,678,697 shares of common stock (par $1) to be offered in exchange for common stock of Pocahontas Fuel Co. on the basis of 2⅝ shares of Pittsburgh for each Pocahontas common share. The offer will be declared effective if at least 85% of the latter shares have been deposited for exchange by Nov. 30.

Policy Advancing Corp.
Aug. 31 (letter of notification) $240,000 of 6% subordinated convertible debentures due Sept. 1, 1966 (each $10 principal amount being convertible into one share of common stock) being offered for subscription by stockholders on the basis of $10 of debentures for each share held as of Sept. 27 (with an oversubscription privilege); rights to expire on Oct. 15. **Price**—At par. **Proceeds**—To retire $16,700 of outstanding debentures and for working capital. **Office**—27 Chenango St., Binghamton, N. Y. **Underwriter**—None.

Prudential Federal Uranium Corp.
March 21 (letter of notification) 6,000,000 shares of common stock (par two cents). **Price**—Five cents per share **Proceeds**—For mining expenses. **Underwriter**—Skyline Securities, Inc., Denver 2, Colo.

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.

Pyramid Productions, Inc., New York (11/8)
Sept. 27 filed 220,000 shares of common stock (par $1), of which 200,000 shares are to be offered to public and 20,000 shares issued to underwriter. **Price**—$5 per share. **Proceeds**—To retire $125,000 of outstanding 15% debentures as well as a $173,180 debt to Trans-Union Productions, Inc.; and for working capital. **Business**—Television releases. **Underwriter**—E. L. Aaron & Co., New York.

★ **Quebec Hydro-Electric Commission (10/30)**
Oct. 10 filed $35,000,000 of series P debentures due Dec. 1, 1981. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures. **Underwriters** — The First Boston Corp. and A. E. Ames & Co., Inc., both of New York.

● **River Valley Finance Co.**
Aug. 29 (letter of notification) 11,000 shares of class A common stock and 518 shares of class B common stock being offered first to stockholders on a pro rata basis; rights to expire on Oct. 19. **Price**—$6 per share. **Proceeds**—For working capital. **Office**—Davenport, Iowa. **Underwriter**—Quail & Co., also of Davenport, Iowa.

● **Ross (J. O.) Engineering Corp., New York**
Sept. 10 filed 19,059 shares of common stock (par $1) to be offered in exchange for common stock of John Waldron Corp. at the rate of one Ross share for each two Waldron shares. Offer will become effective upon deposit of at least 90% of the outstanding common stock, of which Ross presently owns 61.53%. **Underwriter**—None. Statement effective Oct. 3.

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.

★ **Sandura Co., Inc., Philadelphia, Pa.**
Oct. 8 filed 150,000 shares of preferred stock (par $7.50) and 50,000 shares of common stock (par five cents) to be issued in connection with the merger of Paulsboro Manufacturing Co. into Sandura Co., Inc. **Price**—$10 per share. **Proceeds** — For expansion, equipment and working capital. **Underwriter** — Butcher & Sherrerd, Philadelphia, Pa.

★ **Schick Inc. (10/29)**
Oct. 9 filed 500,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — To Florence Schick Gifford, the selling stockholder. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and Hayden, Stone & Co., both of New York.

● **Seaboard Finence Co.**
Sept. 18 filed $15,000,000 of sinking fund notes due Oct. 1, 1971. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriter**—The First Boston Corp., New York. **Offering**—Temporarily postponed.

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.

Southern General Insurance Co., Atlanta, Ga.
Sept. 24 filed 95,714 shares of common stock (par $5), of which 50,000 shares are to be offered publicly; 20,714 shares are to be offered in exchange for 10,357 shares of $10 par common stock of Progressive Fire Insurance Co.; and 25,000 shares are to be offered to certain other persons. **Price**—To public, $14.50 per share; and to certain persons, $13 per share. **Proceeds**—To pay bank loan. **Underwriter** — The Robinson-Humphrey Co., Inc., Atlanta, Ga. **Offering**—Date indefinite.

● **Southern New England Telephone Co.**
Sept. 19 filed 679,012 shares of capital stock (par $25) to be offered for subscription by stockholders of record Oct. 1, 1956 at the rate of one new share for each eight shares held; right to expire on Nov. 2. **Price**—$30 per share. **Proceeds**—To pay advances from American Telephone & Telegraph Co. (approximately $15,800,000) and for property additions and improvements. **Underwriter**—None. **Offering**—Delayed indefinitely by company on Oct. 4. (See also next paragraph.)

● **Southern New England Telephone Co.**
Sept. 19 filed 1,173,696 rights to purchase 146,712 shares of new capital stock (par $25) to be issued to American Telephone & Telegraph Co., which owns 21.61% of the outstanding stock of Southern New England Telephone Co. **Proceeds**—To American Telephone & Telegraph Co. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; White, Weld & Co.; Putnam & Co.; Chas. W. Scranton & Co., and Cooley & Co. (jointly); The First Boston Corp.; Salomon Bros. & Hutzler. **Bids**—Had been expected to be received up to 11 a.m. (EDT) on Oct. 10. (See also preceding paragraph.)

Southern Union Gas Co., Dallas, Texas
Sept. 14 filed 171,187 shares of common stock (par $1) to be offered for subscription by common stockholders of record Sept. 26 on the basis of one new share for each 12 shares held (with an oversubscription privilege); rights to expire on Oct. 30. **Price**—$18 per share. **Proceeds**—For additions and improvements to property. **Underwriter**—None.

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.

● **Southwest Grease & Oil Co. (10/12)**
Sept. 27 (letter of notification) 40,000 shares of common stock. **Price**—At par ($7.50 per share). **Proceeds**—For purchase of new equipment and working capital. **Office**—220 W. Waterman St., Wichita 2, Kan. **Underwriters**—Small-Milburn Co., Inc., Brooks & Co. and Lathrop, Herrick & Clinger, Inc., all of Wichita, Kan.

Southwestern Investment Co., Amarillo, Texas
Oct. 1 filed 68,323 shares of sinking fund preferred stock (par $20), with warrants to purchase 68,323 shares of common stock (par $2.50). **Price**—At par. **Proceeds**—For working capital and retirement of bank loans. **Underwriters**—Schneider, Bernet & Hickman, Inc., Dallas, Tex.; The First Trust Co. of Lincoln, Neb.; Beecroft, Cole & Co., Topeka, Kan.; Boettcher & Co.; Denver, Colo.; and Dewar, Robertson & Pancoast and Austin, Hart & Parvin, both of San Antonio, Texas.

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.

Southwide Corp., Anniston, Ala.
Sept. 12 filed 450,635 shares of common stock (par $1), of which 211,681 shares are to be offered publicly 238,954 shares are to be offered in exchange for the class A stock of Capital Fire & Casualty Co. and common stock of Allied Investment Corp. **Price**—$2 per share. **Proceeds**—For purchase of stock of Capital and Allied firms and for purchase of U. S. Government bonds. **Underwriter**—None, but a selling commission will be allowed to dealers for sales effected by them. Elvin C. McCary, of Anniston, Ala., is President.

Standard Pressed Steel Co. (10/17)
Sept. 27 filed 52,050 shares of common stock (par $1) of which 25,800 shares are to be offered for subscription by common stockholders of record Oct. 16, 1956 on the basis of one new share for each 20 shares held; rights to expire on Nov. 1, 1956. The remaining 26,250 shares will be offered employees. **Price**—To stockholders to be supplied by amendment; to employees, at market. **Proceeds**—For expansion program and working capital. **Business**—Manufactures precision metal fasteners; work benches, shelving and other shop equipment. **Underwriter**—Kidder, Peabody & Co., New York.

Statesman Insurance Co., Indianapolis, Ind.
July 3 filed 200,000 shares of common stock (par $2.50) to be offered to agents and employees of Automobile Underwriters, Inc., "Attorneys-in-Fact for the Subscribers at the State Automobile Insurance Association." **Price**—Proposed maximum is $7.50 per share. **Proceeds**—To obtain a certificate of authority from the Insurance Commissioner of the State of Indiana to begin business. **Underwriter**—None.

● **Sterling Precision Corp.**
July 9 filed 379,974 shares of 5% cumulative convertible preferred stock, series C, being 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 as of Sept. 27, 1956 (with an oversubscription privilege); rights to expire on Oct. 29. **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. **Office**—1270 Niagara St., Buffalo 13, N. Y. **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.

● **Temco Aircraft Corp., Dallas, Texas (10/23)**
Sept. 28 filed $5,000,000 of convertible subordinated debentures due 1971. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriters**—A. C. Allyn & Co., Inc., Chicago, Ill., and Keith Reed & Co., Inc., Dallas, Texas.

Texas Calgary Co., Abilene, Texas
Sept. 25 filed 3,700,000 shares of capital stock (par 25 cents). **Price**—At market from time to time on the American Stock Exchange or the Toronto Stock Exchange or by private sale. **Proceeds**—To A. P. Scott, the selling stockholder. **Underwriter**—None.

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.

Transcontinental Gas Pipe Line Corp.
Sept. 10 filed 441,250 shares of common stock (par 50 cents) being offered for subscription by common stockholders of record Oct. 1, 1956 at the rate of one new share for each 16 shares held (with an oversubscription privilege); rights to expire on Oct. 17. **Price**—$16 per share. **Proceeds** — For construction program. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

Continued on page 42

Continued from page 41

★ Underwood Corp., New York (10/24)
Oct. 4 filed $5,000,000 of convertible subordinated debentures due Oct. 1, 1971. **Price**—To be supplied by amendment. **Proceeds** — For expansion and working capital. **Underwriter**—Lehman Brothers, New York.

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. Statement may be amended with offering to be made soon.

United Cuban Oil, Inc. (10/22-26)
Aug. 29 filed 2,573,625 shares of common stock (par 10 cents), of which 2,000,000 shares are to be offered publicly and 573,625 shares will be issued in exchange for stock of Compania de Formento Petrolero Ted Jones, S. A. **Price**—$1.25 per share. **Proceeds**—For development and exploration costs. **Office**—Los Angeles, Calif. **Underwriter**—S. D. Fuller & Co., New York.

United States Air Conditioning Corp.
Sept. 27 filed 600,000 shares of common stock (par 10 cents), of which 50,000 shares are to be offered to employees, distributors and dealers; 50,000 shares, plus any of the unsold portion of the first 50,000 shares, are to be offered to the public; and the underwriter will be granted options to acquire the remaining 500,000 shares for reoffer to the public. **Price**—At market prices. **Proceeds**—For working capital and general corporate purposes. **Office**—Philadelphia, Pa. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York.

Universal Finance Corp.
Aug. 24 (letter of notification) 27,272 shares of 70-cents cumulative preferred stock (par $5) and 13,636 shares of common stock (par 15 cents) to be offered in units consisting of one share of preferred and one-half share of common. **Price**—$11 per unit. **Proceeds**—For working capital. **Office** — Gibraltar Life Bldg., Dallas, Tex. **Underwriters**—Muir Investment Co., and Texas National Corp., both of San Antonio, Tex.

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.

● Van Horn Butane Service (10/22-26)
Sept. 28 filed 75,000 shares of cumulative convertible preferred stock, series A (par $25). **Price**—To be supplied by amendment. **Proceeds**—To acquire stock of Liquid Gas & Appliance Co., Teton Gas & Appliance Co., General Equipment Co., The McHade L. P. Gas Co., Lincoln Gas & Appliance Co. and Sweetwater Gas & Equipment Co.; and stock and certain assets of Ransome Co. of Nevada; to reduce short-term indebtedness; and for working capital. **Office**—Fresno, Calif. **Underwriters**—Schwabacher & Co., Inc. and J. Barth & Co., both of San Francisco, Calif.

Vendo Co., Kansas City, Mo.
Sept. 20 filed 32,778 shares of common stock (par $2.50) to be offered to holders of Vendorlator Manufacturing Co. common stock purchase warrants in lieu of their right to buy Vendorlator common stock. Warrants are exercisable until Sept. 30, 1960. **Price**—$7.33 per share. **Proceeds**—To redeem Vendorlator debentures. **Underwriter**—None.

Venezuela Diamond Mines, Inc., Miami, Fla.
Aug. 31 filed 1,500,000 shares of common stock. **Price**—At par (20 cents per share). **Proceeds**—For exploration and mining operations in Venezuela. **Underwriter**—Columbia Securities Co., Inc., of Florida, Miami, Fla.

Venture Securities Fund, Inc., Boston, Mass.
Sept. 4 filed 200,000 shares of capital stock (par $1). **Price**—Initially at $25 per share. **Proceeds**—For investment. **Underwriter**—Venture Securities Corp., 26 Federal St., Boston, Mass.

● Walt Disney Productions, Burbank, Calif.
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. Statement withdrawn. Company now plans stock offering to shareholders. (See under "Prospective Offerings.")

★ Warren Wire Co., Pownal, Vt.
Oct. 2 (letter of notification) $150,000 of subordinated 4½% convertible debentures dated Nov. 1, 1956 and due Oct. 31, 1966. **Price**—At par (in denominations of $1,000 each). **Proceeds**—To purchase equipment. **Underwriter**—None.

Western States Natural Gas Co.
Aug. 24 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For development of oil and gas. **Office**—Felt Bldg., Salt Lake City, Utah. **Underwriter**—Us-Can Securities, Inc., Jersey City, N. J.

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 this Fall.

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.

Wilson & Co., Inc.
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. **Offering**—Indefinitely postponed.

Winter Park Telephone Co. (10/15)
Aug. 24 (letter of notification) 3,000 shares of 5% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For improvements and additions to property. **Office**—128 East New England Ave., Winter Park, Fla. **Underwriter**—Security Associates, Inc., Winter Park, Fla.

Prospective Offerings

ACF-Wrigley Stores, Inc.
Sept. 20 it was reported company plans early registration of $4,000,000 15½ year convertible debentures. **Proceeds**—To repay bank loans and for working capital. **Underwriter**—Allen & Co., New York. **Offering**—Expected late in October or early in November.

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.

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.

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 of Georgia Ry. (10/24)
Bids will be received by the company, at the office of J. P. Morgan & Co. Incorporated, 23 Wall St., New York 8, N. Y., up to noon (EDT) on Oct. 24 for the purchase from it of $840,000 equipment trust certificates, series C, to mature in 30 equal semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Central Wisconsin Motor Transport Co.
Sept. 10 company filed a request with the ICC for authority to issue 34,600 shares of 6% cumulative convertible preferred stock (par $10) and 67,500 shares of common stock (par $1). **Price**—For preferred, par and accrued dividends; and for common, $6 per share. **Proceeds** — To selling stockholders. **Office** — Wisconsin Rapids, Wis. **Underwriter**—Loewi & Co., Milwaukee, Wis. **Offering**—Expected this week.

★ Chase Manhattan Bank, New York (11/16)
Oct. 3 it was announced stockholders will vote Nov. 13 on increasing the authorized capital stock (par $12.50) from 12,000,000 shares to 13,000,000 shares, the additional 1,000,000 shares to be offered for subscription by stcokholders of record Nov. 15, 1956 on the basis of one new share for each 12 shares held. **Underwriter**—Previous offering to stockholders of Bank of the Manhattan Company was underwritten by The First Boston Corp., New York.

Chicago & Illinois Midland Ry.
Sept. 29 it was announced the ICC has denied an application by this company for an exemption of $9,000,000 of first mortgage bonds from the Commission's bidding requirements. **Proceeds**—To retire $7,450,000 of 4¾% unsecured serial notes and to allow the company to buy 299 box cars which it now leases. **Underwriter**—Halsey, Stuart & Co. Inc., may be included among the bidders for this issue.

Cosden Petroleum Corp.
Sept. 20 it was announced company has agreed to purchase Col-Tex Refining Co. from Anderson-Prichard Oil Co. and Standard Oil Co. of Texas, a subsidiary of Standard Oil Co. of California, for 350,000 shares of Cosden common stock. The purchase is subject to SEC registration of the stock which will require about 60 days. As part of the contract, Anderson-Prichard and Standard of Texas have agreed to sell the Cosden common stock to the public. **Underwriter**—Not yet named. Glore, Forgan & Co., New York, previously underwrote Anderson-Prichard financing.

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 comeptitive 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 Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co., Inc., and The First Boston Corp(jointly). **Offering**—Not expected until early in 1957.

Dodge Manufacturing Corp.
Sept. 27 it was reported that the company may be planning to issue and sell late in October $2,000,000 of convertible preferred stock. **Underwriter**—Probably Central Republic Co., Inc., Chicago, Ill.

First National Bank of Atlanta, Ga.
Sept. 26, the bank offered to its stockholders of record Sept. 25 the right to subscribe for 200,000 additional shares of capital stock (par $10) on a 2-for-7 basis; rights to expire on Oct. 15. **Price**—$35 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Robinson-Humphrey Co., Inc., Atlanta, Ga.; Merrill Lynch, Pierce, Fenner & Beane, New York; and Courts & Co., Atlanta, Ga.

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, Union Securities & Co., New York.

General Aniline & Film Corp.
Sept. 21 it was announced that the Attorney General of the United States, following reclassification of the shares of this corporation, plans to sell certain of the vested 2,983,576 shares of new class B stock which will then be held.

General Public Utilities Corp.
Sept. 12, A. F. Tegen, President, announced that the stockholders are going to be offered approximately 647,000 additional shares of common stock (par $5) early in 1957 on the basis of one new share for each 15 shares held. Merrill Lynch, Pierce, Fenner & Beane acted as clearing agent in previous offering to stockholders.

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.

★ Hawaii (Territory of) (10/23)
Bids will be received up to 10 a.m. (EDT) on Oct. 23 by the Treasurer, of the Territory, at the Bankers Trust Co., 46 Wall St., New York, N. Y., for the purchase from the Territory of $12,000,000 public improvement bonds, series B, dated Oct. 15, 1956 and due annually on Oct. 15 from 1959 to 1976, inclusive.

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.

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.

Imperial Oil Ltd.
Oct. 2 it was reported company plans to register with the SEC an offering to its stockholders of about 1,500,000 shares of capital stock (no par) probably on the basis of one new share for each 20 shares held. Standard Oil Co. (New Jersey), which owns 69.64% of the outstanding 29,865,691 shares outstanding, is said to have indicated that it intends to subscribe to its portion of the offering. **Price**—To be named later. **Underwriter**—None. **Offering**—Expected in November.

Interstate Fire & Casualty Co.
Sept. 26 it was reported company plans to issue and sell 75,000 additional shares of common stock. **Underwriter**—White & Co., St. Louis, Mo. **Offices**—Chicago and Bloomington, Ill.

Jersey Central Power & Light Co.
Sept. 12, it was announced company plans to issue and sell $8,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; White, Weld & Co.; Eastman Dillon, Union Securities & Co., Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly).

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 Eastman Dillon, Union Securities & Co. (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. 28 it was reported company plans registration in September of $2,500,000 of convertible class A stock. **Underwriter**—Rauscher, Pierce & Co., Dallas, Texas.

★ **Louisiana Power & Light Co. (1/15)**
Oct. 4 it was reported that the company plans the issuance and sale of between $18,000,000 and $20,000,000 first mortgage bonds due 1987. **Proceeds**—For reduction of bank loans and construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and Harriman Ripley & Co. Inc. (jointly); Salomon Bros. & Hutzler; The First Boston Corp., and Glore, Forgan & Co. (jointly);; White, Weld & Co. and Shields & Co. (jointly). **Bids**—Expected to be received about Jan. 15, 1957.

Lucky Stores, Inc.
Aug. 28 the directors of Foremost Dairies, Inc., voted to offer Foremost's stockholders the right to subscribe for 630,000 shares of common stock of Lucky Stores, Inc. at the rate of eight Lucky shares for each 100 shares of Foremost stock held (with an oversubscription privilege). **Price** — $12 per share. **Proceeds** — To Foremost Dairies, Inc. **Underwriter**—Allen & Co., New York.

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.

Merrill Petroleums Ltd. (Canada)
Sept. 6 it was reported company plans to issue and sell some debentures. **Underwriter**—White, Weld & Co., New York.

Metropolitan Edison Co.
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**—Not expected to be received until December. Company presently plans to issue and sell $22,000,000 of bonds in the next 16 months.

Michigan Bell Telephone Co. (12/4)
Sept. 24 the directors authorized the company to issue and sell $30,000,000 35-year debentures, due Dec. 1, 1991. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on Dec. 4.

Minneapolis, St. Paul & Sault Ste. Marie RR. (10/18)
Bids will be received by the company up to noon (CST) on Oct. 18, at Room 1410, First National-Soo Line Bldg., Minneapolis 2, Minn., for the purchase from it of $2,640,000 equipment trust certificates, series C, to be dated Nov. 1, 1956 and to mature in 30 equal semi-annual instalments of $88,000 each. Probable bidders: Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler; Blair & Co., Incorporated.

Mobile Gas Service Corp. (11/1)
Sept. 7 it was announced company plans to offer to its common stockholders on or about Nov. 1, 1956 the right to subscribe for 30,000 additional shares of common stock (par $5) on the basis of one new share for each 10 shares held (with an oversubscription privilege). **Proceeds** — For construction program. **Underwriters** — None.

National Bank of Detroit (11/1)
Sept. 10 it was announced stockholders will vote Oct. 15 on approving proposed sale of 263,400 additional shares of capital stock to stockholders on the basis of one new share for each 10 shares held as of Nov. 1, 1956; rights to expire on Nov. 21. **Price** — Somewhat below market price prevailing at time of offering. **Proceeds**—For capital and surplus account. **Underwriter**—Morgan Stanley & Co., New York.

★ **National City Bank of Cleveland, Ohio (11/5)**
Oct. 8 it was announced Bank proposes to offer to its stockholders of record Oct. 24, 1956 the right to subscribe for 100,000 additional shares of capital stock (par $16) on the basis of one new share for each 10 shares held. **Price**—$50 per share. **Proceeds** — To increase capital and surplus accounts. **Underwriter**—Merrill, Turben & Co., Inc., Cleveland, O.

● **National Newark & Essex Banking Co. of Newark (N. J.)**
Oct. 5 it was announced bank is offering to its stockholders of record Oct. 4, 1956, the right to subscribe to 55,000 additional shares of capital stock (par $25) on the basis of one new share for each six shares held; rights to expire on Oct. 24. **Price**—$57 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

Natural Gas Pipe Line Co. of America
Feb. 20 it was reported company plans to issue and sell late this Spring $35,000,000 of first mortgage bonds due 1976. **Underwriter**—If determined by competitive bidding, the following may bid: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers and Eastman Dillon, Union Securities & Co. (jointly).

New England Electric System
Jan. 3, 1956, 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, Eastman Dillon, Union Securities & Co. 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). **Offering**—Expected in first half of 1957.

New England Power Co.
Jan. 3 it was announced company now plans to issue and sell $10,000,000 of first mortgage bonds early in 1957. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler, Eastman Dillon, Union Securities & Co. 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 Jersey Power & Light Co.
Sept. 12 it was announced company plans to issue and sell $5,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Kuhn, Loeb & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly); Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane.

New York, New Haven & Hartford RR. (10/16)
Bids are expected to be received by the company on Oct. 16 for the purchase from it of not to exceed $2,766,750 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern Natural Gas Co.
July 19 it was reported company plans to finance its 1956 construction program (costing about $40,000,000) through issuance of debentures and treasury funds in latter part of year. **Underwriter**—Probably Blyth & Co., Inc.

Offshore Gathering Corp., Houston, Texas
Nov. 18, 1955, David C. Bintliff, Pres., announced company has filed an application with the Federal Power Commission for a certificate of necessity to build a 364-mile submarine gas pipeline off-shore the coast of Louisiana from the Sabine River to the Gulf Coast of the State of Mississippi. It is estimated that this gathering system will cost approximately $150,000,000. Type of financing has not yet been determined, but tentative plans call for private sale of first mortgage bonds and public offer of about $40,000,000 of securities (probably notes, convertible into preferred stock at maturity, and common stock). **Underwriter**—Salomon Bros. & Hutzler, New York.

Oklahoma 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.

★ **Pacific Lighting Corp. (10/30-31)**
Oct. 4 it was announced that early registration is expected of a proposed issue of 200,000 shares of cumulative convertible preferred stock (no par). **Price**—To be named later. **Proceeds**—For construction program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

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 Eastman Dillon, Union Securities & Co. **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.

Pennsylvania Electric Co.
Sept. 12 it was announced company plans to issue and sell $6,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.

Phillips Petroleum Co.
Sept. 24 it was indicated that the company next year will give consideration to refunding its $75,000,000 of short-term bank loans. After review the company will decide the most appropriate type of long-term borrowing, whether it be insurance loans, long-term bank borrowing, convertible debentures or straight debentures. **Underwriter**—The First Boston Corp., New York.

Pittsburgh & Lake Erie RR. (11/1)
Bids will be received by the company on Nov. 1 at 466 Lexington Ave., New York 17, N. Y., for the purchase from it of $7,305,000 equipment trust certificates to be dated Nov. 15, 1956 and mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Pittsburgh Rys. Co.
May 4 it was announced that Standard Gas & Electric Co. will offer to its stockholders rights to subscribe for 540,651.75 shares of Pittsburgh Rys. Co. **Price**—About $6 per share.

Public Service Co. of Indiana, Inc.
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 Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Not expected to be received on or about Oct. 16 as previously reported. Offering postponed.

Public Service Electric & Gas Co. (11/14)
Sept. 18 the directors proposed the issuance and sale of $50,000,000 first and refunding mortgage bonds due Nov. 1, 1986. **Proceeds**—To help finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co., and Lehman Brothers (jointly); Morgan Stanley & Co. and Drexel & Co. (jointly). **Bids**—Tentatively scheduled to be received up to 11 a.m. (EST) on Nov. 14.

Public Service Electric & Gas Co.
Sept. 18 it was announced company plans to issue and sell 1,000,000 additional shares of common stock (no par) early in December. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Morgan Stanley & Co., Drexel & Co., and Glore, Forgan & Co.

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.

Reading Co. (10/17)
Bids will be received by the company up to noon (EDT) on Oct. 17, at Room 423, Reading Terminal, Philadelphia 7, Pa., for the purchase from it of $5,220,000 equipment trust certificates, series Y, dated May 15, 1956 and to mature in semi-annual instalments of $180,000 each from May 15, 1957 to and including May 15, 1971. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

St. Louis-San Francisco Ry.
Sept. 5 company offered not exceeding $61,600,000 of 50-year income 5% debentures, series A, due Jan. 1, 2006, 154,000 shares of common stock (no par), and cash equivalent to the unpaid portion of the preferred dividend which has been declared payable in 1956, in exchange for its 616,000 shares of $100 par value 5% preferred stock, series A, on the basis of $100 of debentures, one-quarter share of common stock and unpaid dividends of $2.50 per preferred share in exchange for each 5% preferred share. The offer will expire on Dec. 31, 1956, unless extended. **Dealer-Manager** — Eastman Dillon, Union Securities & Co., New York. **Exchange Agent**—The Chase Manhattan Bank, New York.

Seiberling Rubber Co.
Sept. 10 it was reported that the company plans long-term debt financing and/or issuance of additional common stock. **Proceeds**—To redeem preferred stocks and for expansion program, etc. **Underwriter** — Probably Blair & Co. Incorporated, New York.

Continued on page 44

Continued from page 43

Sierra Pacific Power Co. (11/14)
Sept. 27 it was reported company plans to issue and sell $3,000,000 of first mortgage bonds due 1986. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Stone & Webster Securities Corp. and Dean Witter & Co. (jointly); Blair & Co., Incorporated. **Bids**—Expected to be received on Nov. 14. **Registration**—Planned for Oct. 11.

Sinclair Oil Corp.
Sept. 10 it was announced that company is considering offering of about $165,000,000 of convertible subordinated debentures for subscription by common stockholders on basis of $100 of debentures for each nine shares of stock held. Stockholders are scheduled to vote on the financing on Oct. 30. **Proceeds**—For expansion program and general corporate purposes. **Underwriter**—Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of 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.; Eastman, Dillon, Union Securities & Co.; 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.

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.

Standard Register Co., Dayton, Ohio (10/30)
Sept. 19 it was announced company plans to raise about $6,500,000 through the sale of its stock. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

Texam Oil Corp., San Antonio, Texas
Oct. 1 it was announced that the 1,000,000 additional shares of common stock, recently authorized by the directors, will provide the company with the additional working capital it will require for further expansion.

● Texas Power & Light Co. (11/20)
Oct. 2 it was announced that company plans to file a registration statement with the SEC about the middle of October for the issue and sale of $10,000,000 of first mortgage bonds due 1986. **Proceeds**—For repayment of bank loans and new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); White, Weld & Co.; Lehman Brothers, Drexel & Co. and Hemphill, Noyes & Co. (jointly); The First Boston Corp. **Bids**—Expected on or about Nov. 20.

✦ Texas Power & Light Co. (10/31)
Oct. 2 it was announced that the company plans to issue and sell 100,000 shares of cumulative preferred stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans and for construction program. **Underwriters**—Kidder, Peabody & Co., Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Beane, all of New York. **Registration**—Expected about middle of October, for offering late in the month.

● Union Bank & Trust Co., Los Angeles, Calif.
Oct. 8 stockholders of record Oct. 5 were offered the right to subscribe on or before Oct. 26, 1956 for 114,000 additional shares of capital stock (par $10) on the basis of one new share for each five shares held. **Price**—$35 per share. **Proceeds**—To increase capital and surplus. **Underwriters** — Blyth & Co., Inc. and Stern, Frank, Meyer & Fox, both of Los Angeles, Calif.

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.

Walt Disney Publications, Burbank, Calif.
Oct. 2 it was announced the company now proposes to offer to its common stockholders the right to subscribe for 186,500 additional shares of common stock (par $2.50) at the rate of one new share for each seven shares held (with an oversubscription privilege). **Price**—$20 per share. **Proceeds** — To retire short-term bank loans and for working capital. **Underwriter** — None. However, Atlas Corp., which owns about 17% of the common stock outstanding, will subscribe for any stock not taken by others. For every share subscribed for through exercise of primary and secondary rights, the stockholders would receive a further right to purchase until Nov. 30, 1957, one additional share at $22.

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.

Watson Brothers Transportation Co.
Sept. 19, it was reported public offering of an issue of 619,776 shares of class A common stock (par $1) was planned late in October. **Price**—Expected to be around $7.50 per share. **Proceeds** — To selling stockholders. **Underwriters** — Cruttenden & Co., Chicago, Ill., The First Trust Co. of Lincoln, Neb.; and Wachob Bender Corp., Omaha, Neb.

Our Reporter's Report

The new issue market, which had been going great guns recently, seemed disposed this week to slow down a bit while investment interests took stock of the situation.

This tendency was reflected in a tapering off of interest, temporarily at least, in corporate debt issues reaching the offering stage. Presumably the rank and file wanted another look at the Treasury market before going ahead with whatever buying plans they might have had in mind.

Institutional buyers wanted a look at results of the Treasury's extra offering of $1.6 billion of 91-day bills as a gauge to whether the seasoned bond market might be a bit too high. Data on this undertaking was due out overnight.

Observers calculated that if the Treasury could not do this financing on a 2.80 to 2.90% basis then corporate bonds might be considered too high at the moment.

This line of reasoning probably explained why Southern Bell Telephone Co.'s $60 million of 27-year, 4% debentures got off to a slow start in moving out to investors at the 3.90% yield.

There was evidence too that the investment element generally was disposed to wait and see how some of the later buyers for pension funds regarded the issue. Buying from that source, it was indicated, could touch off general demand.

Variety of Ideas

It remained for California Electric Power Co.'s offering of $8 million first mortgage, 30-year, bonds to reveal wide division of thought that can develop at times on pricing of an issue.

The winning group paid the company a price of 100.35 for a 4½% coupon rate, and reoffered the issue at 101.65 to yield 4.40%.

The company received two bids, 100.299 and 100.159 for the issue to carry a 4¾% rate, and a fourth of 100.539 for a 4⅞% interest coupon.

Equities Take Over

Corporations are shifting once more to equities as a means of raising new capital in the week ahead. And the operations of two public utility companies will contribute the bulk of the new week's volume.

By far the largest is Commonwealth Edison Co.'s public offering of 400,000 shares of $100 par value, cumulative preferred stock. This sale will provide the company with funds for construction and expansion.

Carolina Power & Light Co. will be offering through bankers 500,000 shares of additional common stock to raise funds for repayment of bank loans and to finance new construction.

Southern Bell 4s

This week's financing by Southern Bell Telephone & Telegraph Co., recalls the experience of the company three years ago when it balked at paying the cost indicated by banking bids for an issue of new debentures at that time.

In the Spring of 1953 the company turned down bids for a $30 million issue of debentures and stayed out of the market until the following September in the hope that money conditions would be easier.

But it then accepted a 3¾% coupon rate in order to obtain funds. The following year, however, it refinanced this debt on a 3¼% basis. On the current offering it received two bids, both specifying the same interest rate. Question now, is can history repeat and permit refinancing of this issue at an early date?

Two With Hemphill, Noyes

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Chester W. Boxley and Paul J. Greenberg have become associated with Hemphill, Noyes & Co., 9478 Santa Monica Boulevard.

Dillon, Read Group Offers Texas Eastern Transmission Pfd. Stk.

Dillon, Read & Co. Inc. heads an investment banking group which is offering today (Oct. 11) 150,000 shares of Texas Eastern Transmission Corp. preferred stock, 5.85% series, at par ($100 per share).

The new preferred stock is entitled to a sinking fund which provides for the retirement during each 12 months commencing with the 12 months ending May 31, 1962 at 2½% of the new preferred stock outstanding on May 31, 1961 and after May 31, 1971, 5% of the new preferred stock outstanding on May 31, 1961. The sinking fund redemption price is $100 per share.

The new preferred stock is redeemable after Nov. 1, 1961 at the option of the company at prices scaling down from 106 to par after Nov. 1, 1973.

Net proceeds from the sale of the new preferred stock are to be used by the company in connection with a $238,000,000 program which contemplates an increase in the gas capacity of the company's system of 250 million cubic feet per day and the reconversion of a major portion of the "Little Big Inch" pipe line to transportation of petroleum products. Additional financing to the extent of $130,000,000 will be necessary to complete the program. Slightly less than half of the gas for the new program is to be purchased from the Mexican Government at a connection on the Rio Grande and the balance is to be purchased from producers in the Gulf Coast area of the United States. The company proposes to furnish a petroleum products transportation service extending from Beaumont, Tex. to Moundsville, W. Va. with various laterals and terminals at intermediate points.

For the six months ended June 30, 1956 the company reported total operating revenues of $86,661,695 and consolidated net income of $9,087,867.

First National Bank Group Marketing Bds. Of Baltimore County

The First National City Bank of New York and associates on Oct. 10 were awarded $21,000,000 Baltimore County, Maryland, Various Purpose Bonds due Nov. 1, 1959 to 1996, inclusive. The group submitted a bid of par for a combination of 5%, 3%, 3¼%, 1% and ¼% coupons, representing a net interest cost of 3.1537% to the County.

The 5%, 3% and 3¼% bonds maturing from 1959 through 1985 are being reoffered at prices to yield from 2.50% to 3.25%, while the 1% and ¼% bonds maturing from 1986 through 1996 are not being reoffered.

Associates in the offering include: Drexel & Co.; Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; Mercantile-Safe Deposit and Trust Co.; The Northern Trust Co.; Continental Illinois National Bank and Trust Company of Chicago; The Philadelphia National Bank; Blair & Co. Incorporated; Goldman, Sachs & Co., Stone & Webster Securities Corporation; Equitable Securities Corporation; Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; Baker, Watts & Co.

Richard F. Levy Opens

Richard F. Levy is conducting a securities business from offices at 320 West Eighty-ninth Street, New York City.

Daniel Weston Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Mark F. Cote is now with Daniel D. Weston & Co., Inc., 9235 Wilshire Boulevard.

FIF Adds Two

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—William L. Beasley and William A. Magee have been added to the staff of FIF Management Corporation.

Joins Samuel Franklin

LOS ANGELES, Calif.—Gerson B. Reynolds is now with Samuel B. Franklin & Company, 215 West Seventh Street.

LETTER TO THE EDITOR:

Total Interest and Debt Size Intrigues Colorado Reader

Letter to "Chronicle" questions optimistic view of boom supported by debt. Wonders how interest, increasing through compounding, will be paid.

Editor, Commercial and Financial Chronicle:

The following observation may be of interest to some:

I fail to understand the optimism of many economists, business and political leaders in the nation's present economic boom supported on debt.

With a net total public and private debt of approximately $680 billion (more or less) the interest charge, if taken at the very low rate of 4%, would be $20 billion annually. (1955 dividends were $11.2 billion.)

How is the interest being paid? Apparently through increased indebtedness, equivalent to a charge, a bookkeeping entry, ineffective as a stimulating outlay for production.

Is it not realized that this growing service charge, increasing daily through the mechanism of compound interest, is leading the nation rapidly to a serious crisis?

DAVID H. HOLMES
Boulder, Colorado

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)	Oct. 14	§102.0	*101.8	100.6	96.5
Equivalent to—					
Steel ingots and castings (net tons)	Oct. 14	§2,511,000	*2,506,000	2,477,000	2,330,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Sept. 28	7,044,100	7,063,100	7,107,750	6,660,600
Crude runs to stills—daily average (bbls.)	Sept. 28	¶7,897,000	8,041,000	8,098,000	7,462,000
Gasoline output (bbls.)	Sept. 28	27,093,000	27,341,000	28,210,000	25,448,000
Kerosene output (bbls.)	Sept. 28	2,484,000	2,369,000	2,196,000	2,012,000
Distillate fuel oil output (bbls.)	Sept. 28	12,744,000	12,278,000	13,241,000	10,843,000
Residual fuel oil output (bbls.)	Sept. 28	7,622,000	7,678,000	7,952,000	7,430,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Sept. 28	174,720,000	176,944,000	175,571,000	151,266,000
Kerosene (bbls.) at	Sept. 28	33,817,000	33,657,000	32,401,000	36,413,000
Distillate fuel oil (bbls.) at	Sept. 28	150,367,000	148,816,000	138,449,000	143,722,000
Residual fuel oil (bbls.) at	Sept. 28	47,499,000	47,835,000	46,783,000	46,754,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Sept. 29	831,438	822,255	784,366	815,531
Revenue freight received from connections (no. of cars)	Sept. 29	692,324	685,083	655,066	683,111
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Oct. 4	$491,008,000	$483,437,000	$243,863,000	$464,569,000
Private construction	Oct. 4	245,050,000	308,314,000	112,909,000	330,197,000
Public construction	Oct. 4	245,958,000	175,123,000	130,954,000	134,372,000
State and municipal	Oct. 4	199,356,000	132,112,000	97,202,000	122,092,000
Federal	Oct. 4	46,602,000	43,011,000	33,752,000	12,280,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Sept. 29	10,460,000	*10,100,000	9,990,000	9,567,000
Pennsylvania anthracite (tons)	Sept. 29	656,000	658,000	601,000	611,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Sept. 29	130	131	128	126
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Oct. 6	11,342,000	11,365,000	10,955,000	10,639,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Oct. 4	253	251	196	207
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Oct. 2	5.622c	5.622c	5.622c	5.174c
Pig iron (per gross ton)	Oct. 2	$63.04	$63.04	$63.04	$59.09
Scrap steel (per gross ton)	Oct. 2	$57.33	$58.17	$58.50	$44.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Oct. 3	39.700c	39.600c	39.675c	43.650c
Export refinery at	Oct. 3	37.550c	36.925c	37.700c	43.250c
Straits tin (New York) at	Oct. 3	103.000c	103.500c	100.125c	96.125c
Lead (New York) at	Oct. 3	16.000c	16.000c	16.000c	15.500c
Lead (St. Louis) at	Oct. 3	15.800c	15.800c	15.800c	15.300c
Zinc (East St. Louis) at	Oct. 3	13.500c	13.500c	13.500c	13.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Oct. 9	91.98	91.92	91.16	95.96
Average corporate	Oct. 9	99.20	99.20	100.49	107.62
Aaa	Oct. 9	102.96	102.80	103.47	111.07
Aa	Oct. 9	101.31	101.14	102.30	109.60
A	Oct. 9	99.36	99.52	100.65	107.62
Baa	Oct. 9	93.82	93.97	95.77	102.63
Railroad Group	Oct. 9	98.25	97.94	99.04	106.21
Public Utilities Group	Oct. 9	99.20	99.36	100.98	108.16
Industrials Group	Oct. 9	100.16	100.49	101.31	108.70
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Oct. 9	3.15	3.14	3.21	2.80
Average corporate	Oct. 9	3.80	3.80	3.72	3.30
Aaa	Oct. 9	3.57	3.58	3.54	3.11
Aa	Oct. 9	3.67	3.68	3.61	3.19
A	Oct. 9	3.79	3.78	3.71	3.30
Baa	Oct. 9	4.15	4.14	4.02	3.59
Railroad Group	Oct. 9	3.86	3.88	3.81	3.38
Public Utilities Group	Oct. 9	3.80	3.79	3.69	3.27
Industrials Group	Oct. 9	3.74	3.72	3.67	3.24
MOODY'S COMMODITY INDEX	Oct. 9	417.8	423.0	425.6	405.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Sept. 29	249,859	252,534	267,147	294,523
Production (tons)	Sept. 29	271,570	272,890	274,069	292,654
Percentage of activity	Sept. 29	95	94	95	102
Unfilled orders (tons) at end of period	Sept. 29	410,178	434,900	418,025	585,740
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Oct. 5	109.15	108.99	108.77	107.04
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	Sept. 15	1,214,066	907,152	1,094,277	1,307,513
Dollar value	Sept. 15	$70,236,768	$51,297,168	$59,560,978	$74,950,287
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Sept. 15	917,060	685,507	862,226	1,124,494
Customers' short sales	Sept. 15	4,857	3,967	5,437	4,990
Customers' other sales	Sept. 15	912,203	681,540	856,789	1,119,504
Dollar value	Sept. 15	$45,892,432	$35,934,534	$43,664,019	$58,635,672
Round-lot sales by dealers—					
Number of shares—Total sales	Sept. 15	234,960	163,360	224,530	308,890
Short sales	Sept. 15	------	------	------	------
Other sales	Sept. 15	234,960	163,360	224,530	308,890
Round-lot purchases by dealers—					
Number of shares	Sept. 15	551,120	418,080	448,450	499,110
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	Sept. 15	420,140	425,850	417,190	569,710
Other sales	Sept. 15	10,073,690	7,094,000	8,864,030	13,462,750
Total sales	Sept. 15	10,493,830	7,519,850	9,281,220	14,032,460
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Sept. 15	1,304,100	1,037,390	1,218,190	1,655,230
Short sales	Sept. 15	214,230	221,750	227,370	266,640
Other sales	Sept. 15	1,021,780	768,610	977,830	1,369,890
Total sales	Sept. 15	1,236,010	990,360	1,205,200	1,636,530
Other transactions initiated on the floor—					
Total purchases	Sept. 15	280,780	205,230	175,700	390,220
Short sales	Sept. 15	25,100	30,400	18,300	32,850
Other sales	Sept. 15	290,450	185,030	191,270	354,080
Total sales	Sept. 15	315,550	215,430	209,570	386,930
Other transactions initiated off the floor—					
Total purchases	Sept. 15	580,405	304,553	461,755	595,231
Short sales	Sept. 15	79,330	88,690	83,450	157,612
Other sales	Sept. 15	586,645	359,123	570,908	756,980
Total sales	Sept. 15	665,975	447,813	654,358	914,592
Total round-lot transactions for account of members—					
Total purchases	Sept. 15	2,165,285	1,547,173	1,855,645	2,640,681
Short sales	Sept. 15	318,660	340,840	329,120	457,102
Other sales	Sept. 15	1,898,875	1,312,763	1,740,008	2,480,950
Total sales	Sept. 15	2,217,535	1,653,603	2,069,128	2,938,052
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Oct. 2	115.0	115.2	114.7	111.4
Farm products	Oct. 2	89.0	*89.3	89.1	87.5
Processed foods	Oct. 2	104.0	*104.9	103.8	101.1
Meats	Oct. 2	87.6	91.1	87.5	80.9
All commodities other than farm and foods	Oct. 2	122.6	122.6	122.2	118.6

*Revised figure. ¶Includes 1,048,000 barrels of foreign crude runs. §Based on new annual capacity of 128,363,000 tons as of Jan. 1, 1956, as against Jan. 1, 1955 basis of 125,828,319 tons. †Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of August:			
New England	$26,913,867	$30,879,065	$26,701,188
Middle Atlantic	158,926,421	135,513,380	83,729,672
South Atlantic	63,725,591	43,205,233	48,792,221
East Central	122,667,772	133,390,224	134,650,663
South Central	77,003,855	74,741,125	87,218,703
West Central	36,187,037	37,909,420	36,567,802
Mountain	25,589,299	21,249,460	27,080,748
Pacific	104,434,865	115,048,445	111,088,125
Total United States	$615,448,707	$591,936,352	$555,829,122
New York City	114,957,757	95,455,909	41,436,766
Outside New York City	500,490,950	496,480,443	514,392,356
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of September (000's omitted):			
Total U. S. construction	$1,480,492	$1,828,462	$1,786,199
Private construction	892,662	1,144,187	1,118,333
Public construction	587,830	684,275	667,866
State and municipal	452,074	605,380	545,485
Federal	135,756	78,895	122,381
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of Aug. 31:			
Total consumer credit	$37,503	$37,143	$33,636
Instalment credit	29,424	29,103	26,155
Automobile	15,361	15,208	13,547
Other consumer goods	6,319	6,258	5,762
Repairs and modernization loans	1,695	1,674	1,589
Personal loans	6,052	5,963	5,257
Non-instalment credit	8,076	8,040	7,481
Single payment loans	3,065	3,033	2,629
Charge accounts	3,132	3,127	3,019
Service credit	1,879	1,880	1,833
CONSUMER PRICE INDEX — 1947-49=100—Month of August:			
All items	116.8	117.0	114.5
Food	113.1	114.8	111.2
Food at home	111.8	113.8	110.0
Cereals and bakery products	126.3	125.8	124.1
Meats, poultry and fish	99.9	99.3	102.9
Dairy products	109.2	108.7	105.7
Fruits and vegetables	120.7	135.2	111.3
Other foods at home	113.9	112.8	112.6
Housing	122.2	121.8	120.0
Rent	133.2	133.2	130.5
Gas and electricity	112.1	111.7	110.8
Solid fuels and fuel oil	129.5	128.7	123.8
Housefurnishings	102.6	102.8	103.2
Household operation	123.4	123.0	119.5
Apparel	105.5	105.3	103.4
Men's and boys'	107.7	107.7	105.5
Women's and girls'	98.1	98.0	97.4
Footwear	124.8	124.2	107.6
Other apparel	91.5	91.4	90.5
Transportation	128.5	127.7	125.4
Public	172.9	172.7	166.9
Private	118.6	117.6	115.9
Medical care	133.3	132.7	128.0
Personal care	120.3	120.1	115.8
Reading and recreation	107.9	107.7	106.3
Other goods and services	122.1	122.2	120.4
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of August:			
Cotton Seed—			
Received at mills (tons)	364,799	141,965	348,692
Crushed (tons)	181,552	118,511	212,310
Stocks (tons) Aug. 31	360,716	177,469	345,446
Crude Oil—			
Stocks (pounds) Aug. 31	52,108,000	40,375,000	58,955,000
Produced (pounds)	58,108,000	43,472,000	70,391,000
Shipped (pounds)	50,774,000	37,083,000	61,754,000
Refined Oil—			
Stocks (pounds) Aug. 31	179,798,000	243,791,000	287,292,000
Produced (pounds)	47,268,000	34,607,000	57,996,000
Consumption (pounds)	104,902,000	84,298,000	105,137,000
Cake and Meal—			
Stocks (tons) Aug 31	120,288	164,187	169,703
Produced (tons)	85,222	62,286	103,409
Shipped (tons)	129,121	112,902	136,796
Hulls—			
Stocks (tons) Aug. 31	55,123	77,164	45,750
Produced (tons)	40,785	28,643	47,922
Shipped (tons)	62,826	56,940	43,826
Linters (running bales)—			
Stocks Aug. 31	103,326	119,958	77,223
Produced	53,171	35,525	66,834
Shipped	69,803	46,383	119,694
Hull Fiber (1,000-lb. bales)—			
Stocks Aug. 31	334	593	234
Produced	674	(a)	341
Shipped	933	(a)	420
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Aug. 31	1,939	2,285	1,786
Produced	354	198	383
Shipped	700	902	821

(a) Not shown to avoid disclosure of figures for individual companies.

	Latest Month	Previous Month	Year Ago
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of August:			
All manufacturing (production workers)	13,208,000	12,553,000	13,078,000
Durable goods	7,544,000	7,116,000	7,602,000
Nondurable goods	5,664,000	5,437,000	5,476,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	106.8	101.5	107.3
Payroll Indexes (1947-49 Average=100)—All manufacturing	160.9	151.1	154.6
Estimated number of employees in manufacturing industries—			
All manufacturing	16,973,000	16,301,000	16,820,000
Durable goods	9,731,000	9,291,000	9,582,000
Nondurable goods	7,242,000	7,010,000	7,238,000
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of July (000's omitted):			
Savings and loan associations	$851,024	$877,202	$953,058
Insurance companies	158,843	165,485	161,068
Bank and trust companies	464,305	494,234	472,218
Mutual savings banks	168,146	161,659	168,363
Individuals	307,345	308,742	282,826
Miscellaneous lending institutions	424,466	410,122	425,313
Total	$2,374,129	$2,417,444	$2,462,846
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Sept. 30	$274,345,882	$275,644,165	$277,523,832
General fund balances	6,445,432	6,196,906	5,375,505
Net debt	$267,900,450	$269,447,259	$272,148,327
Computed annual rate	2.614%	2.607%	2.402%

Mutual Funds

By ROBERT R. RICH

Boom Year Seen for 1957

The economic staff of National Securities & Research Corp., now making up its business forecast for the next year, has tentatively concluded that the business boom will continue and thus make next year a better one than this for America.

The staff notes that its latest estimates of major economic indicators for 1956 remain remarkably close to the record levels which were projected ten months ago.

Because the forces sustaining economic growth are expected to continue in 1957, National's analysts predict now that the Gross National Product will increase 4%, topping the estimated record $409,500,000,000 set for this year. The Federal Reserve Board's index of industrial production is forecast to rise about 2%, and it is predicted that national income, personal income and disposable income will establish new records next year.

"With the population recording a further increase of about 2,800,000 next year," the staff notes, "and with more of our people employed at record high wages than ever before, the production and consumption of goods and services should attain new peaks. Retail trade is expected to be up about 3% next year over the current year's record dollar volume."

Autos to Gain

A recovery in the automobile industry is seen for next year by National's staff, with production of passenger cars up about 10% over 1956. A level of this sort would make for the production of about 6,500,000 cars, contrasted to the 1955 peak of 7,943,000.

Other forces seen sustaining growth, which proved its resilience this year in the face of the present decline in auto production, and this year's labor disturbances in the steel, electrical equipment, aluminum and other industries, will be an anticipated increase in new plant and equipment expenditures next year which will be 5% above the $35,300,000,000 set for 1956.

National's staff also sees expenditures by Federal, State and local governments increasing next year as the nation acts to meet the needs of a growing population for schools, highways, hospitals, water systems and other public facilities.

Farm Income

In looking at the farm situation, National forecast an increase of about 5% for farm income in 1957 over 1956 figures.

Although the staff feels that money and credit will remain very tight for the remainder of this year and the first half of next year, it believes there will be some easing in the second half, and that government and high grade bonds should reflect these conditions.

Consumers will borrow more next year than this, and consumer credit outstanding, which is expected to reach an all-time high of $39,500,000,000 at the year-end, will be 7% above this figure in 1957.

Construction Gain

While the expenditures for construction of new homes may not show an increase over 1956, because of the current tight money situation, nevertheless it is thought the total of all construction, which includes both public and private building, will show an approximate 2% gain in 1957 over the estimate for 1956.

Because the projected surplus in the Federal budget is being limited by some increase in expenditures for the fiscal year ending June 30, 1957, it does not appear to National's economists that there will be any changes in corporate income tax rates next year, although some small reduction in personal rates may be enacted.

Earnings

Total earnings of all domestic business corporations next year should approximate $22,000,000,000, an amount equal to the net earnings estimated for this year. But, because of a more liberal payout policy by many corporations, it is forecast that dividends will be up between 2 and 4% next year.

"Reflecting growing financial strength, working capital of all domestic business corporations is expected to total about $109,500,000,000 at the end of this year, a new all-time high," it was reported. To bolster their financial resources, corporations in 1957 are expected to offer about $11,000,000,000 of new securities, of which the most significant increase will consist of common stock offerings. Retained earnings and depreciation reserves, of course, the staff comments, will also continue to be major sources of corporate working capital, and at the end of 1957 working capital of all business corporations is expected to rise to about $115,000,000,000.

In conclusion, National's economists state, "Business can therefore look forward to 1957 with confidence. With corporate profits sustained at current high levels and dividends rising to new peaks, stock prices may reasonably be expected to give a good account of themselves in the year ahead."

Boston Fund Completes Study Of College Funds

Approximately 55% of the endowment funds of 39 prominent colleges and universities were in common stocks on June 30 of this year, according to a preliminary report of a study being made by Boston Fund, $150-million mutual investment company.

The figures, tabulated by Vance, Sanders & Co., principal underwriter for shares of Boston Fund, in the current issue of their biweekly publication, "Brevits," cover institutions with aggregate endowment funds of $1,800,951,224. Individual endowments range in size from $245,475,000 for Yale to $3,330,067 for Bates College, in Lewiston, Maine. In ten instances, the reporting colleges specifically noted that the figures did not include uninvested cash received in connection with the recent Ford Foundation grants.

Figures for Harvard, with over $442,000,000 of endowment on June 30, 1955, and for the University of Chicago, with more than $144,000,000 at that time, were not received in time for the preliminary report. A year ago both these institutions showed over 57% of their investments in common stocks.

For the 39 institutions included in the present survey, the averages were 30.5% in bonds or cash, 4.7% in preferred stocks, 54.8% in common stocks, 8.3% in real estate and mortgages and 1.7% in other investments, at market values on June 30, 1956.

By institutions, holdings of common stock ranged from a low of 41.0% for Vassar to a high of 80.2% for Lafayette. Institutions with more than 60% in common stocks also included Amherst, Brown, California Institute of Technology, Case Institute of Technology, Colby College, Oberlin, Rochester Institute of Technology, Rutgers, Swarthmore and Washington & Lee.

In an accompanying article "Brevits" points out that:

"(1) The endowment managers characteristically do not look for enhancement of principal by trying to 'catch' a so-called short-term swing in the securities markets. This is not a part of their investment program.

"(2) After a seemingly long advance in securities values, regardless of the type of investments concerned, the endowment managers do not as a rule attempt to sit on the sidelines with cash and await a more favorable opportunity to invest their funds. This is partly due, of course, to income considerations; but it also ties in with the fact that the endowment managers apparently do not wish to assume the risk of forming a categorical opinion one way or another with respect to future security values.

"(3) Endowment manager having perforce to keep their funds almost fully invested at all times are obviously well aware of the fact that at no time will the 'sailing' be entirely clear; and, accordingly, they attempt to keep their money invested to the best of their ability in whatever types of securities seem to be most favorably situated under any and every set of economic conditions.

"(4) At no time (at least during recent years) have endowment managers completely relied on any one class or type of security to fulfill their entire investment requirements.

"For obvious reasons there is a considerable difference in the methods used by the colleges in the management of their endowment funds. By and large, however, the colleges appear to have recognized the importance of competent investment management and, in some form or other, employ the services of people who are qualified by training and experience to perform such tasks for them."

Wellington Fund Wins Award For Annual Report

The annual report of Wellington Fund, half-billion-dollar balanced mutual fund, has been selected by "Financial World," national weekly magazine, as the best annual report of any mutual fund for the year 1955.

The selection was made by an independent board of judges. The magazine's bronze "Oscar of Industry" will be presented to Walter L. Morgan, President of Wellington Fund, at the annual awards banquet in the grand ballroom of the Hotel Statler in New York on Monday evening, Oct. 29, 1956.

Wellington Fund, one of the largest mutual funds in the World, has more than 190,000 shareholders, making it one of the ten largest corporations in the country in number of shareholders.

A total of 5,000 annual reports were entered this year in the international competition. Around 1,700 reports qualified for the final screening and those were judged in 100 industrial classifications for bronze trophies. In the mutual funds classification Selected American Shares was runner-up for top honors, while Chemical Fund placed third.

The Chairman of the jury making the final selections is Dr. Pierre R. Bretey, editor of "The Analysts Journal," and he was assisted by Robert J. Wilkes, President of The National Federation of Financial Analyst Societies; Prof. William Longyear, Chairman of the Department of Advertising Design, Pratt Institute Art School; Shelby Cullom Davis and William R. White. The screening of reports was under the direction of W. Sturgis Macomber, President of the New York Society of Se-

curity Analysts, Inc., with the co-operation of six division chairmen and 20 investment specialists, all members of the New York Society.

Weston Smith, originator and director of the annual report surveys, will present the "Oscars of Industry" at the awards banquet, which will attract some 1,400 business and financial leaders from all over the United States, Canada and Latin America.

Lehman Corp. Plans Change In Income Payout

Lehman Corporation is contemplating the distribution in January of 1957 of substantially all income and capital gains realized during the six months ending Dec. 31, 1956, it was announced jointly yesterday by Robert Lehman, President, and Monroe C. Gutman, Chairman of the Executive Committee. The announcement said this distribution will be made if a prospective change in the corporation's fiscal year to a calendar year becomes effective.

Capital gains for the three months ended Sept. 30 amounted to $2,854,000 or 62 cents per share and net ordinary income was $1,268,000 or 27 cents per share. This compares will realized capital gains of $2,080,000 and net ordinary income of $1,212,000 amounting to 45 cents and 26 cents per share, respectively, during the same quarter last year.

Total net assets at Sept. 30, 1956 amounted to $227,525,000 equal to $49.17 per share. This contrasts with $219,059,000 or $47.55 per share at the end of the same quarter last year and with $242,435,000 or $52.40 per share at the end of the preceding quarter ended June 30, 1956.

During the first quarter of the corporation's fiscal year, sales of portfolio securities, exclusive of government bonds, summed up to $7,120,000 and purchases amounted to $5,228,000. At the end of the first quarter of the fiscal year common stocks amounting to $213,044,000 made up 93.3% of the net asset value of the portfolio and U. S. Governments and net cash items totalled $12,353,000 representing 5.4%.

United Corporation announced yesterday results attained during its first nine months as a registered investment company.

Net investment income and realized gains on investments totalled $5,778,408 or 41.1 cents a share in the first nine months of 1956, against $5,752,053 or 40.9 cents a share in the corresponding months of 1955.

Net assets of United, based on the indicated market value of investments held, totalled $90,759,475 on Sept. 30, 1956, equal to $6.45 a share, against $89,073,715 or $6.33 a share on Sept. 30, 1955. On June 30, 1956 such net assets were $93,065,380 or $6.61 a share.

Carriers and General Corporation assets at Sept. 30, 1956, with securities valued at market quotations and before deduction of principal amount of outstanding debentures, were $17,198,164 (excluding unamortized debenture financing costs of $3,902). Net asset value of the common stock was $27.32 on Sept. 30, 1956.

The asset coverage per $1,000 of debentures outstanding on Sept. 30, 1956 (excluding unamortized debentures financing costs), amounted to $9,187. Interest and amortization requirements on debentures outstanding were earned 8.7 times during the first nine months of 1956. Net income applicable to common stock for the nine months ended Sept. 30, 1956 (exclusive of profits on sales of securities) was $329,373 compared with $299,219 for the nine months ended Sept. 30, 1955.

C. J. Rogers Joins Delaware Fund

PHILADELPHIA, Pa.—C. Grayson Rogers has joined the $45 million Delaware Fund as a security analyst, W. Linton Nelson, President, announced.

His appointment is in line with a program, made necessary by the fund's growth, to steadily expand its research and statistical department.

Mr. Rogers, a graduate of Bucknell University, will receive his Master's Degree in Business Administration from the University of Pennsylania's Wharton School early next year.

In 1955 he completed a three years' tour of duty with the U. S. Navy and was discharged with the rank of Lieutenant, (j.g.).

"Wellington Story"

A comprehensive and colorful three-part series of stories on Wellington Fund, authored by Walter L. Morgan, President, and published by the "Christian Science Monitor" is now available to dealers in reprint form. Reprints of the series, which traces the development, growth and management of this mutual fund can be obtained on request from The Wellington Company, Philadelphia 3, Pa.

Fund Sales

Wellington Fund in the nine months ended Sept. 30, 1956, had the largest gross sales for any similar period in the fund's 27-year history, A. J. Wilkins, Vice-President, reported.

Mr. Wilkins stated that sales for the nine months period reached a record $76,017,000, up from $50,157,000 in the corresponding period of 1955, for a gain of 51%. Sales of $76,017,000 for the first nine months of this year exceeded total new investments in Wellington for the entire year 1955 by more than $3,500,000, Mr. Wilkins stated.

Business Man's Bookshelf

Appraisals of Electronic Business Applications — National Office Management Association, 132 West Chilton Avenue, Philadelphia 44, Pa., $2.

Automobile Franchise Agreements —Charles Mason Hewitt, Jr.—Nada Publications Center, 2000 K Street, N. W., Washington 6, D. C. (cloth), $6.

Banking Legislation in the 84th Congress: A Report—Committee on Federal Legislation, American Bankers Association, 730 15th Street, N. W., Washington 5, D. C. (paper).

Beneficiary in Life Insurance, Revised—Dan M. McGill—Richard D. Irwin, Inc., Homewood, Ill. (cloth), $5.

Changing Party Pattern—Paul T. David — The Brookings Institution, Washington 6, D. C. (paper), single copies free; five or more 25c each.

Codetermination in the German Steel Industry — W. Michael Blumenthal — Industrial Relations Section, Department of Economics and Sociology, Princeton University, Princeton, N. J. (paper), $3.00.

Common Stocks and the Cost of Living 1871-1956 — Hugh W. Long & Co., Inc., Westminster at Parker, Elizabeth 3, N. J.

Core of the City: A Pilot Study of Changing Land Uses in Central Business Districts — John Rannells — Columbia University Press, New York 27, N. Y. $5.50.

Danger and Opportunity—James P. Warburg — Current Affairs Press, 25 Vanderbilt Avenue, New York 17, N. Y. (paper), 50c (quantity prices on request).

Discussion on Methods of Monetary Analysis and Norms for Monetary Policy — H. C. Bos — (in English)—Netherlands Economic Institute, Rotterdam, Holland (paper).

Federal Reserve Charts on Bank Credit, Money Rates and Business—Board of Governors of the Federal Reserve System, Washington, D. C. (paper), $6.00 per year; single copies 60 cents.

Fringe Benefits—1955—Chamber of Commerce of the United States, 1615 H Street, N. W., Washington 6, D. C. (paper), $1 (quantity prices on request)

Functional Newspaper Design — Edmond C. Arnold — Harper & Brothers, 51 East 33rd Street, New York 16, N. Y. $7.50.

Handbook of Commercial, Financial and Information Services—Walter Hausdorfer — Special Libraries Association, 31 East 10th Street, New York 3, N. Y. (paper), $5.00.

How to Gain Security and Financial Independence—Ira U. Cobleigh—Hawthorn Books Inc., 70 Fifth Avenue, New York 11, N. Y. (cloth), $4.95.

How to Sell Against Tough Competition — Harry Kuesel — Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y. (cloth), $4.95.

International Monetary Fund Annual Report 1956—International Monetary Fund, Washington, D. C. (paper).

Oil & Gas Investments — How to get tax protected income—J. K. Lasser Tax Institute and Francis L. Durand — $12.50 per copy (two weeks examination free)—Business Reports, Dept. CF-1, Larchmont, N. Y.

Profits in Canadian Securities — Douglas P. Thomas—American Research Council, Larchmont, N. Y.—Fabrikoid looseleaf binding.

Scientific Sampler, A—Discoveries & trends in science over the last 30 years — Raymond Stevens, Howard F. Hamacher and Alan A. Smith — D. Van Nostrand Company, Inc., 120 Alexander Street, Princeton, N. J. (cloth), $6.00.

Survey of East-West Trade in 1955 —Mutual Defense Assistance Control Act of 1951—Eighth Report to Congress—Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper), 35c.

Treasury of Tax Saving Ideas — J. K. Lasser—$12.50 per copy (two weeks examination free)—Business Reports, Dept. CF-1, Larchmont, N. Y.

What the Tariff Means to American Industries—Percy W. Bidwell—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (cloth), $3.

Your Income Tax 1957—J. K. Lasser Institute—Simon & Schuster, 630 Fifth Avenue, New York 20, N. Y. (paper), $1.95.

With Federated Plans

FAYETTEVILLE, N. C.—Herman Graver and Melvin R. Nance have joined the staff of Federated Plans, Inc.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Charles A. Williams, Jr. is now associated with King Merritt & Co., Inc.

Two With B. C. Morton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William L. Roth and Irving Zimmer have become connected with B. C. Morton & Co., 131 State Street.

Now Hopp & Co.

PASSAIC, N. J. — The firm name of Everybody's Investment Company has been changed to Hopp & Co. Offices are located at 165 Prospect Street.

DIVIDEND NOTICES

AVISCO® AMERICAN VISCOSE CORPORATION

Dividend Notice

Directors of the American Viscose Corporation at their regular meeting on October 3, 1956, declared a dividend of fifty cents (50¢) per share on the common stock, payable on November 1, 1956, to shareholders of record at the close of business on October 19, 1956.

WILLIAM H. BROWN
Vice President and Treasurer

REGULAR QUARTERLY DIVIDEND

The Board of Directors has declared this day
COMMON STOCK DIVIDEND NO. 89
This is a regular quarterly dividend of

25¢ PER SHARE

payable on November 15, 1956, to holders of record at close of business October 20, 1956.

H. Edwin Olson
Vice-President and Secretary
October 3, 1956

THE COLUMBIA GAS SYSTEM, INC.

HOOKER

Dividend Notice

The Board of Directors on October 8, 1956, declared dividends as follows:

Quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock, payable December 28, 1956, to stockholders of record as of the close of business December 3, 1956.

Quarterly dividend of $.25 per share on the Common Stock, payable November 26, 1956 to stockholders of record as of the close of business October 22, 1956.

ANSLEY WILCOX 2nd, Secretary

DUREZ® • NIALK® HOOKER CHEMICALS PLASTICS

HOOKER ELECTROCHEMICAL COMPANY
Niagara Falls, N. Y.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—There is now considerable optimism that the drive to net into the high surtax income brackets the income which now legally escapes these confiscatory rates through depletion allowances and the capital gains tax structure, can be stopped for calendar 1957 in Congress, and perhaps for longer.

One important factor in this outlook is the fact that Rep. Wilbur Mills (D., Ark.), has talked considerably in public about the need for plugging "loopholes" in the income tax laws. These two areas are the principal "loopholes" by which the rigors of the high surtax rates are avoided.

These also are the areas in which the Federal Government will have to obtain substantial additional amounts of revenue to meet its fast-rising expenditures ultimately, unless there is to be a sharply unbalanced budget or unless personal tax rates are to be raised considerably.

Mr. Mills, however, has been widely quoted in the press and in magazine articles about the necessity for plugging "loopholes," and the business world has finally become alerted to the dangers. This alertness insures that this drive will not start to get off the ground next year without purposeful opposition.

The Arkansas Representative is Chairman of the Ways and Means special subcommittee which is doing a whole study of the tax laws.

On taxes generally, there is also a large consensus in Washington at the present time that overall there will be no tax reduction next year, whichever political party or parties are voted in control of Congress and the White House.

Intimations of some substance are that the Republicans, if in control of the Administration, will oppose a personal tax cut. The feeling is that the "facts of life" fiscally will preclude the Democrats from moving toward the approximate $5 billion tax cut they proposed in their party platform at Chicago, by an increase of $200 in the personal exemptions.

Excise Tax Reform

On excise taxes, it is said that the chance for the excise tax reform program sponsored by the Ways and Means subcommittee headed by Rep. Aime J. Forand (D., R. I.) will be good IF this committee can deal with excise tax reform separately from proposals to lower excise taxes. Rep. Forand, after a long study, came up this year with a comprehensive bill to eliminate a number of inequities in the excise tax structure, but the bill was completed too late for action this year.

Nevertheless, politically it probably will be impossible for the Ways and Means Committee to resist public pressure to change excise tax rates. If this pressure is strong enough, the whole reform project can be lost in the shuffle.

Election Prospects

By way of a report, and definitely not of a prediction, the overwhelming consensus of opinion in this capital is that President Eisenhower will win re-election, but by a majority of electoral votes much smaller than in 1952.

This consensus further is that the Republicans are likely to lose both Houses of Congress.

That the Administration and the Republicans are worried, there is no denying. The surface revelation of worry is definitely NOT just propaganda to try to get Republicans to get out and work, and businessmen to send in contributions, although both are welcome to the GOP.

Housing Money

Even after the several equivocal steps "to ease the supply of housing mortgage money" taken in late September (see p. 60 of the "Chronicle" of Sept. 27 for details), the Administration was definitely unhappy over the discontent in the home-building industry.

In particular, the Administration is worried about the chances of Doug McKay in Oregon against Wayne Morse, and of Gov. Langlie in Washington state, against Senator Warren G. Magnuson, and not incidentally of D. D. Eisenhower versus A. Stevenson. Lumber for housing comes in a large measure from those two states, Senator Morse is said to be doing a very aggressive job of selling the idea that unemployment in the lumbering industry and the drop in lumber prices is due to the fact the Eisenhower Administration "will do nothing for housing" and that is why, of course, the locals have their troubles.

Various observers have come back to this capital with the reports that the edge is definitely in favor of the Democratic incumbents, and against the Republican challengers.

In this situation, it is reported that "Little Brother" Sherman Adams from the White House demanded that various agencies sit down and listen with further sympathy to the plight of the poor depressed home builder. The Federal Reserve Board, which is not amenable to a political pushing around, sent to the gab-fest on this subject, no member of the board but a staff member, and not a senior staff member at that.

Informed officials do not imagine what further can be done to steam up the home-building industry at this time. However, in politics at desperate times there are many accomplished prestidigitators, and someone may soon discover a rabbit in George Humphrey's hat.

Flood Insurance

The Administration has had its fling at showing that it is taking care of the problem of floods. It has appointed a "Commissioner of the Flood Indemnity Administration of the Housing and Home Finance Agency."

What Congress did in providing for insurance and loans for victims of floods was merely to suggest, with only the broadest guides in the legislation, that the Administration shall conjure a program of loans and insurance, leaving such difficult details as how much to charge for what risks to the Administration to figure out.

The Administration will now try, and [illegible] to enact a program by regulation. It admits itself that it will be "several months" before the program can go into operation.

Poll Check

Any citizen who wants to check election possibilities against polls and other prognostications need only send to the Information Service, U. S. Department of Agriculture, Washington 25, D. C., for the detailed reports headed "Note to Correspondents," and obtain a fairly accurate list of where the Eisenhower Administration believes it is having political troubles.

For these lists show in detail, by little town, medium, or big city exactly where the Department is supporting (raising) the prices of such things as eggs, turkeys, and hamburgers. They also show exactly what firm sold how many cases of eggs, pounds of hamburger, or differing sizes of turkeys to the government, and at what price.

For instance, the reports show that on the egg situation, the Department of Agriculture is buying preponderantly the eggs of Iowa and Minnesota. Scattering purchases are made in Nebraska, South Dakota, California.) and Washington state.

Frozen turkeys are purchased from most of the states west of the Mississippi. Hamburgers are going into the political food stockpile from all over the western states.

Mr. Eisenhower and his great private-enterpriser-lieutenant, E. T. Benson, did not invent this gimmick of pouring out money for support of farm prices at such convenient times as a month before a national election. There is no record of any reticence about spending money for this purpose by previous Democratic Administration, and if the Democrats win the Administration, they will reacquire this handy tool to enhance their own popularity, in turn, at convenient times.

All that is new is that the Eisenhower Administration, which in general is available to the press only when it can use it, invented the idea of showing town by town just how much money it was pouring out, in "Notes for Correspondents."

Credit for Truckers

Wendell B. Barnes, Administrator of the Small Business Administration (Republican RFC) has issued an exchange of letters between himself and one Dave Beck, Chairman, "The Independent Advisory Committee to the Trucking Industry," (a job to which Mr. Beck was appointed to Dwight D. Eisenhower).

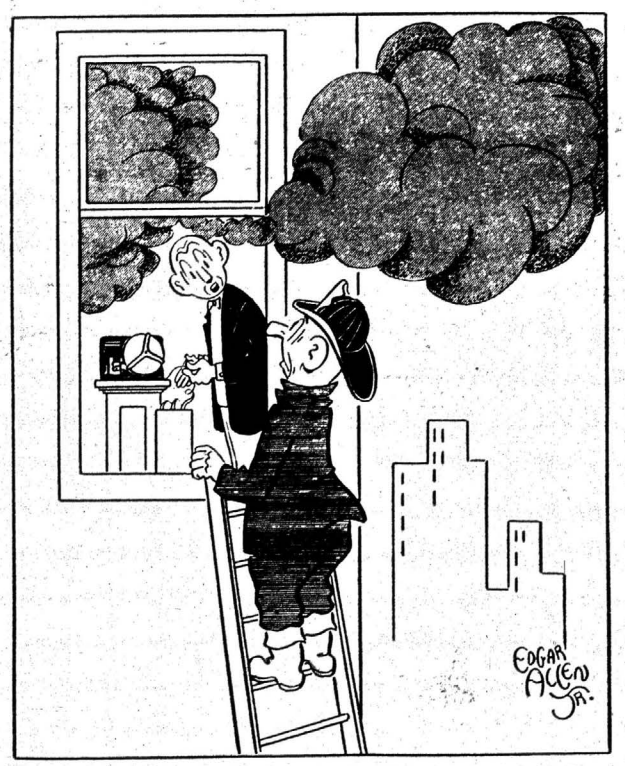
Purport of this exchange is that bank regulations prohibit banks from lending on the security of motor trucks, the same being moving collateral. SBA is going to do something about that, like legislation to permit banks to lend on the security of trucks. And it will make loans to truckers itself. Furthermore, SBA is going to help the trucking industry by naming truckers to the National Council of Consultants of the Small Business Administration.

That banks are prohibited from lending money to trucking firms to buy trucks came as a complete surprise to agencies supervising banks. They noted that passenger cars are "moving collateral" with possibly greater speed of movement (when trucks are not in the way) than trucks. Banks cannot lend, of course, when the trucker has no money in the thing himself, any more than banks will lend on no downpayment on passenger cars.

Dave Beck, by coincidence, also happens to be President of the International Brotherhood of Teamsters, AFL, and one of the 29 union vice-presidents who reputedly is covertly supporting Eisenhower.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ



"Mind waiting a little while?—The market hasn't closed yet!"

COMING EVENTS

In Investment Field

Oct. 11-13, 1956 (Miami, Fla.)
Florida Security Dealers Association annual meeting at Key Biscayne Hotel.

Oct. 17, 1956 (New York City)
Security Traders Association of New York Annual Beefsteak Party at the Antlers.

Oct. 17, 1956 (New York City)
New York Group of Investment Bankers Association annual dinner and election at the Waldorf-Astoria.

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. 24, 1956 (New York City)
Security Traders Association of New York cocktail party, dinner and dance in the Grand Ballroom, Hotel Commodore.

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

Dec. 7, 1956 (New York City)
Security Traders Association of New York annual meeting and cocktail party at the Bankers Club.

Jan. 14-16, 1957 (Chicago, Ill.)
American Bankers Association 9th National Credit Conference.

Mar. 18-20, 1957 (Chicago, Ill.)
American Bankers Association 11th National Instalment Credit Conference.

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.