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EDITORIAL

## As We See It

Now that an exceptionally weird election campaign is a thing of the past, the time has come when some really serious thought must be given to our national affairs. Elections in this country rarely settle very much, and this one would appear to have settled practically nothing. Conditions continue to exist which call urgently for study and remedial measures. The months of the campaigning, particularly perhaps the last few weeks, have brought new problems and aggravated old ones. This is a situation which would have existed no matter who was chosen as Chief Executive or which party was to be in control of Congress.

The most dramatic and attention attracting changes have, of course, come in the international field. Events have revealed that the "workmen of the world" (as the communists would like to think of themselves) are not the monolithic mass of humanity that they have so often asserted. Nor have they the hold on all of the people of all of the territories they are supposed to control that had been supposed. Apparently, from this time forward, a number of Tito's will exist alongside the Kremlin in Moscow, and not all of them at any rate will be under the controlling influence of the Marx-Engels-Lenin-Stalin-Khrushchev crowd in respect of their "ideology," which is the communist term for general economic and social philosophy, or with reference to the national policies they pursue. No one can, of course, foresee precisely where all this will lead, but there

Continued on page 30

## 1957 Outlook for Business, Housing, Mortgage Market

By DR. GORDON W. McKINLEY*

Director of Economic and Investment Research
The Prudential Insurance Company of America

**Prudential economist surveys forthcoming general business activity, prices, housing market, capital and mortgage markets and discerns for 1957: (1) boom year despite restrained consumer spending, increasing at a lower rate than 1955; (2) price inflation; (3) 1.1 million housing start volume will leave industry vigorous and prosperous; (4) new net capital funds demand will rise $3 billion but leave total $5 billion savings deficiency *vis-a-vis* total capital demand, with banks in no better position to meet this gap; and (5) resulting tight mortgage market will be less tight than other markets. Dr. McKinley appeals for non-selfish backing of Fed's policies and freeing of VA-FHA maximum interest rate restrictions.**

In order to devote most of my attention to the housing and mortgage markets, let me summarize very briefly my views on the outlook for general business activity in the coming year.

Gordon W. McKinley

I believe that 1957 will be a very prosperous year—so prosperous in fact that it could characterize as a "boom" year. Employment will continue to rise, with unemployment being held down to a virtually irreducible minimum. Business investment in plant and equipment will continue to surge ahead, providing one of the strongest motivating forces for the boom. Government spending, which has risen very little in recent years, will start upward, with state and local government expenditures accounting for most of the rise. Total personal income will continue to advance steadily, and this will make possible a substantial

*An address by Dr. McKinley before the Mortgage Lending Conference of New Jersey Bankers Association, Princeton, N. J.

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Quarterly Investment Company Survey

## Funds Broadly Retrench Into Defensive Assets

**Increase in the proportionate holdings of cash, governments, and corporate senior securities, with diminished buying of common stocks, revealed by analysis of investment company portfolio policies. Management statements of policy evince increased caution. Airlines, sales finance, and motion pictures meet liquidation; steels, aircrafts, and banks particularly attract buying; while action is mixed in insurance, metals, utilities and rails. Conflicting policies regarding international oils.**

[*Tables showing 3d quarter portfolios, changes and funds' comparative cash positions appear on pages 23 and 24.*]

The Market's high levels of the last quarter (the Dow Jones Industrial Average rose from 493 at the end of June to an all-time peak of 521 on Aug. 2, followed by a decline to 475 at the end of September) were used for radical retrenchment by fund managers.

Sharply accentuated policies of defensiveness on the part of the investment companies are revealed by our analysis of their portfolio operations. Of 73 companies covered, 43, or approximately 60%, increased their relative position in cash and governments during the quarter, compared with less than 35% of the companies following such a policy during the previous quarter. Of a net inflow of $228 million from the sale of new fund shares during the quarter, portfolio purchases of common stocks exceeded sales thereof by only 7%, whereas portfolio buying of non-government bonds and of preferred stocks was almost three times as large as sales of such senior securities, and while net cash and governments were rising by 10%. Of the total net purchase balance of non-government securities, 84% consisted of bonds and preferred stocks, with only 16% net going into commons.

Among the managements exemplifying such caution to a marked degree, were as shown in our first table following the Axe Stock Fund, Loomis-Sayles Mutual Fund, Value Line Fund, Delaware, Fidelity, State Street Investment, and the United Fund Group.

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SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 36.

# 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**

Morris & Essex RR. 3½s of Dec. 1, 2000 — George A. Bailey, Partner, George A. Bailey & Co., Philadelphia, Pa. (Page 2)

TMT Trailer Ferry, Inc. — Ralph DePasquale, President, General Investing Corp., New York City. (Page 2)

### GEORGE A. BAILEY

Partner, George A. Bailey & Co.
Members Philadelphia-Baltimore S. E.
Philadelphia, Pa.

**Morris & Essex R.R. 3½s of Dec. 1, 2000**

There are very few securities available that possess the possibility of gradually advancing in price, whether general business increases or decreases or whether the stock market goes up or down. Such an issue must first: Be well secured. Second, it must be paying better than average return. Third, it must have a consistently increasing equity. Fourth, it must yield more than other comparable issues in the same industry; and Fifth, it must offer possibilities for enhancement in price.

George A. Bailey

These attributes may be found in the Morris & Essex R.R. first refunding mortgage 3½% bonds, due Dec. 1, 2000. This issue is well secured by a first lien on the entire properties, wharves, water rights, etc., of the railroad. In 1943 the ICC placed a valuation of $93,235,469 before depreciation, while there are but $32,640,000 of these bonds outstanding.

Early in 1945 the Delaware, Lackawanna and Western merged the Morris & Essex and assumed payment of both principal and interest of the Morris & Essex 3½s. Separate financial statements are not available. The D. L. & W. has been steadily strengthening its capital structure. Its fixed charges have been reduced from $8,320,801 in 1932 to about $4,600,000 at the end of 1955 or approximately 45%. Based on the present annual fixed charges of about $4,600,000 the net income available to meet these requirements would have been earned on an average of about 1.80 times in the past 24 years. For the first eight months in 1956 charges were earned about 2.23 times, a good margin of safety. In 1955 flood damage following hurricane "Diane" resulted in a loss of about $7,500,000. Of this amount $2,100,000 was charged to investment and the balance to 1955 operations resulting in an earned deficit of $986,000 for the year. In 1954 fixed charges were earned 1.90 times compared with 2.45 times in 1953, 2.43 times in 1952.

Further adding to the road's efficiency is its complete dieselization. In addition to this the road is said to be well maintained and the cost of maintenance ranks among the lowest in the country.

Another factor in the development of D. L. & W's. future is a possible merger with the Erie and the Delaware and Hudson Railroads. The Erie and the D. L. & W. have been engaged in joint operation studies for more than a year. To determine the advantages and immediate savings from the coordination of existing facilities. Freight stations have been combined at Binghamton and Elmira, N. Y. The study of joint marine operations is actively under way. On Oct. 13, the Erie began to operate its passenger trains, with the exception of rush-hour commuter trains, into the Morris and Essex station at Hoboken instead of into the present Erie station at Jersey City. The Erie rush-hour trains will come into Hoboken shortly after the first of the year. This combination of passenger terminals is, in itself, expected to save about $1,000,000 annually for each railroad.

Other studies are under way, including joint freight yard operation at Buffalo, and the joint usage of certain trackage between Corning and Binghamton.

These projects have pointed to the possibility of further economies from full merger. The Erie operates 2,226 miles of railroad between Jersey City and Chicago, with lines extending to Scranton, Rochester, Buffalo, Cleveland and Dayton. The Delaware and Hudson operates 823 miles of main track from Wilkes-Barre to Rouses Point via Albany with connecting trackage in Canada to Montreal. The D. L. & W. operates 947 miles and physically connects with the Erie at Jersey City, Scranton, Binghamton, Elmira and Buffalo. Both the Erie and the Lackawanna connect with the Delaware anod Hudson at Binghamton and Scranton. This unification would result in total mileage operated of approximately 3,996 miles.

The Morris & Essex first mortgage bond is in a stronger position today than at any time in the company's history. The property is indispensable to operations of the Lackawanna system and should be further strengthened should it prove worthwhile to merge with the Erie and the Delaware and Hudson.

This bond is available in registered as well as coupon form. The registered bonds sell in the Over-the-Counter Market. It is free of the personal property tax in Pennsylvania. This well-secured first mortgage issue, selling approximately 40 points under par, appears to offer better than average prospects for enhancement in price and good return.

### RALPH de PASQUALE

President, General Investing Corp.
New York City
Members American Stock Exchange

**TMT Trailer Ferry, Inc.**

The stock I like best for long-term growth is TMT Trailer Ferry, currently selling in the Over-the-Counter Market at around $3.75 a share . . . because the company is aggressively pioneering the new concept of trans-ocean movement of freight, the fastest, most convenient and lowest cost method for the handling of overseas shipments yet devised. But, most important, the profit potential of "fishy-backing" is tremendous.

Ralph de Pasquale

One of the most promising fields for investment today is in this new concept of trans-ocean shipment of freight in a single trailer directly from the shipper's platform to the door of an overseas consignee on a single bill of lading . . . with only two handlings of cargo instead of twelve.

The operation is known as "fishy-back," a term that's rapidly becoming as well known in the transportation industry as the term "Piggy-back." "Fishy-back" is the carrying of road trailers on specially-designed ocean going vessels on which the trailers are rolled on and rolled off.

The idea of the roll-on, roll-off "fishy-back" was conceived by Eric Rath and pioneered by TMT Trailer Ferry, Inc., the company he founded for the purpose of providing Puerto Rico and the Virgin Islands with "fishy-back" service.

**Started With $500**

Eric Rath began his operation three years ago with $500 in cash and supreme confidence that his concept of the "fishy-back" operation was vitally needed by Puerto Rico's rapidly expanding industrial economy. After explaining his idea to Fruehauf Trailer Company, he was able to borrow a trailer. He then arranged for its overseas transportation on a coastwise motor schooner which was engaged in carrying bulk cement from Ponce, Puerto Rico to South Florida. This was the humble beginning of TMT Ferry, Inc.

The subsequent dynamic growth of the TMT concept of trailer ferries may best be illustrated by the company's two and a half year increase of total assets:

| | Total Assets |
|---|---|
| July 31, 1953 | $500 |
| Sept. 30, 1954 | 87,480 |
| March 24, 1955 | 582,641 |
| Dec. 31, 1955 | 2,570,556 |
| *Projected assets | 9,391,448 |

*Projected to include acquisition of "Carib Queen" and other assets in 1956.

There is a growing opinion in shipping circles that roll-on, roll-off trailer ferry type vessels operating between fixed ports will, a few years hence, become an important factor in the transportation of cargo overseas.

The reduction in the handling of freight by the "fishy-back" service offered by TMT Trailer Ferry affords shippers a better, faster and more economical freight service than has been available in the past. TMT's service reduces crating and packing costs, practically eliminates losses from pilferage and breakage as merchandise is not handled while in transit, remaining sealed in trailers from the time it leaves the door of the shipper until it arrives at its overseas destination . . . cost of insurance is considerably less . . . paper work is reduced from 26 documents to one bill of lading. TMT's "fishy-back" operation eliminates (1) unloading at dockside; (2) loading on shipboard; (3) unloading cargo from ship to dock; (4) loading from dock to truck for final delivery and all the other immediate steps required in the movement of cargo overseas by conventional method.

Trailer vessels have other advantages over general cargo ships. They can be loaded and reloaded in one working day compared with approximately five days for a conventional freighter. The labor costs involved in the operation of a trailer vessel are said to be sharply lower, representing only about 3½% of total operating costs as compared with 60% for the conventional freighter.

It has been computed that trailer ferry vessels in coastwise service can make 46 round trips

*Continued on page 43*

# Is Restrictive Federal Reserve Policy too Late and too Little?

By FAYETTE B. SHAW, PH.D.
Chicago Undergraduate Division, University of Illinois

**Noting the occurrence of record high purchases of government bonds, unchanged reserve requirements, and reluctant rediscount rate application, monetary economist Shaw criticizes Federal Reserve for waiting so long and doing so little to check money supply increase, and concludes "we have made practically the same mistakes as were made in the 1920's, but on a far larger scale." Dr. Shaw ponders relationship of election year to restrictive steps finally taken. Denies 11 years of prosperity spells end of business cycle, and does not agree government can cure or prevent depressions.**

The policy which the Federal Reserve Board of Governors has been following in recent months in restricting credit by raising the rediscount rate and implying a warning against inflation presents many interesting facets. One of them is the response it has evoked in many groups of people. As soon as the policy begins to take effect, and potential borrowers find the cost and the difficulty of borrowing increasing, they complain loudly about the policy and demand that it be changed or "liberalized." They charge that it is throttling business and that it will bring on a depression. But just how can a policy of credit restriction put a curb on lending unless it impinges on a borrower here, another there, and a third around the corner, all of whom are clamoring for funds for "legitimate" business purposes? Such a policy must have its impact upon specific individuals and firms because it is intended to reduce the total demand for loanable funds. It can work in no other way. Yet its obvious working brings out lamentations and charges that the results desired are being achieved.

Fayette B. Shaw

In America today there seems to be a pronounced sentiment that the extension of credit is something that anyone has a right to demand and enjoy. The old copybook maxims about thrift have gone out of the window, and people in all ranks and positions in life want credit and feel deprived of a fundamental right if they do not get it. Therefore, it should be the part of public policy, so it seems in their eyes, to further credit extension to any who have "legitimate" business needs, and if there is difficulty in finding private lenders, then the government should guarantee loans or set up loaning agencies to supply the lack. And they see no reason why credit extension cannot be unlimited, made so by the Federal Reserve or the government or both. There are some interesting misunderstandings about credit involved here.

## Misunderstandings About Credit

One is that all you have to do is to increase credit and that solves all problems of keeping the economy going. But increasing credit, if it is new money and not just a transfer of spending from savers to investors, is likely to result in higher prices. Suppose ten businessmen to be bidding for some scarce resource needed in their respective businesses. It could be some raw material like iron ore or coal or nickel, or a particular kind of skilled workmanship. Now suppose that ten more come into the market with purchasing power that did not exist before, newly created credit. At once this new purchasing power competes with that already present. If industry is operating at considerably less than full capacity, it may mean a larger supply of the scarce resource obtained without much, if any, increase in cost. But if the economy is already fairly well employed, this increased demand can result only in increased prices. The famous Law of Diminishing Returns takes care of that. This law has very technical ramifications, but it may be illustrated simply this way. You can increase the yield of a field of grain by increasing the fertilizer and care given to it. But at the point of diminishing return, this increase or increment begins to decline. An increase of 10% in input brings a less than 10% increase in output. Applied to our credit illustration, a doubling of purchasing power competing for scarce resources cannot bring about a doubling of the supply of goods available. It may bring some increase, and it could conceivably bring about a doubling if the supply of unemployed resource is very large compared to the demand. But in our present business economy, we are working at very nearly full capacity, and an increase in purchasing power demanding the resource of the example can result only in higher prices. Yet people seem to feel that it is all right not only to add the first ten who have credit, but also a second ten with credit, a third ten, and so on without limit.

"Liberalizing" the terms on which ex-service men can buy homes with smaller down payments and longer maturities may seem to make it easier for them to buy homes. But looking beyond the deceptively easy conditions under which one may buy, the ob-

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# Temco Aircraft—The Sub Makes the Team

By IRA U. COBLEIGH
Author of
*"How to Gain Security and Financial Independence"*

**A distinguished subcontractor in aircraft manufacture enters prime contracting for the jet age.**

The world events of the last few weeks have surely accented the fact that we still live on a bellicose planet; and one aspect of the legendary "white man's burden" seems to be the necessity for his spending a good slice of his income each year on the latest, and most lethal, in armaments. Armed aggression, piously renounced at the conference table, even by our best friends, seems to sneak back into action when there's a brigand on the loose, a canal to be cleared, or a dictator to be dumped. So rightly, or wrongly, high on the world's economic priority list is military hardware—including, and indeed stressing, aircraft.

Ira U. Cobleigh

We have all observed the rise to great aeronautic productivity, profitability, and corporate eminence of such leaders as Douglas, Boeing, Lockheed, and North American Aviation. Today, however, we propose to cast our prose searchlight upon a younger, and lesser known, unit in this industry, which, in its own quiet and efficient way, has served all of these majors, and several more, in its role as subcontractor for assemblies and sub-assemblies—Temco Aircraft Corporation.

During World War II, North American Aviation had a big division in Dallas, Texas, giving employment to some 25,000 persons. This plant closed down abruptly in 1945, and two former North American executives, Mr. Robert McCulloch, and Mr. H. L. Howard, plus some 300 other promising men (selected from the force of the closed plant) started a new business which was incorporated, in 1946, under the name, Temco Aircraft Corporation. Today, Mr. McCulloch is President, and Mr. Howard, Treasurer. In the ten years since, Temco has been a copy book example of a growth company, and has so developed its status and its stature in the aircraft industry, as to provide the title for today's piece. Just look at what Temco has accomplished in a single decade!

Net sales for Temco have moved majestically forward — $5,895,000 for 1947 to $78,000,000 in 1955; with only one year (1954), interrupting this rising trend-line, and that due to cutbacks after the Korean War. Net income kept pace, advancing from $371,000 for 1947, to $3,272,000 in 1955. This growth was mainly in subcontracting — building assemblies for such renowned craft as North American's F-100 Super Sabre, Boeing's B-47, and now its B-52, bombers; General Dynamic's B-36 and B-58, the Douglas Skylark, the Lockheed Electra transport; the Martin P5M flying boat, and the fighters of McDonnell and Republic. With remarkable success, Temco has been a supplier for 14 leading military models and one commercial transport. Temco's main plant in Dallas was regarded as the lowest cost aircraft producer during World War II.

Today Temco not only has this Dallas plant (leased from Chance Vought) but a maintenance and overhaul plant (also leased) in Greenville, Texas, and a smaller owned plant at Garland, Texas. Aircraft assembly requires a lot of space and manpower. Temco has both—over 1,900,000 square feet of plant space, and almost 10,000 employees. Labor relations have been excellent and there has never been a work stoppage at Temco.

Interestingly enough, Temco has not merely built assemblies; it also has helped with design, and has had a number of prime contracts for initial design of components, and airborne systems of electronics.

If Temco, until quite recently, has been less well known or less appreciated than other aircraft manufacturers, it has probably been because of its status as subcontractor. Because Temco worked for others, instead of as a prime contractor, there has developed some feeling that Temco might be more vulnerable to business cutbacks or cancellation. This argument does not seem to hold up since, because of its record for low cost manufacture, and swift entry into production on any new contract, Temco is vitally needed by its clients. Many of these now treat Temco as virtually a division (without stock ownership) of their own organizations; and they have neither the wish, the space, the manpower nor the cost controls to displace Temco in its quite specialized field of endeavor.

Management has, however, felt it would be prudent, over time, to expand the prime contracting section of the business, in areas non-competitive with Temco's major customers. In line with this, last July Temco secured a (direct) $2 million order for 14 light jet trainers from the Navy. Temco clients have evinced no interest in low cost jet trainers of this sort, and thus Temco (mainly from its own drawing boards) has entered a phase of aeronautic production with a quite romantic future. The "prop" plane is now a military "lame duck"; and both Navy and the Air Force would be in a position to speed up pilot training greatly, and, perhaps, to reduce its unit training cost by $10,000 or more, if instruction could eliminate propeller planes and be confined to jets. Hence, if the Temco jet trainer fills the bill (first unit should be delivered to Navy around June 1, 1957), then large production orders, running into many tens or even hundreds of millions of dollars might ensue.

Another big straw in the wind of profitability for Temco might be gleaned from the fact that Mr. I. N. Palley is now head of its Engineering Department. It will be recalled that Mr. Palley was importantly connected with the development of the "Regulus" guided missile at Chance Vought, before coming to Temco. It is, accordingly, not to be presumed that his talents as shepherd of the Temco Research and Delevolpment team will be directed toward supersonic bows and arrows! A top flight technician in missiles can be a pretty important man to any aircraft company these days.

In the more traditional line of Temco's efforts, the immediate outlook is for quite expanded output of assemblies for McDonnell Aircraft (F-101 supersonic escort fighter) and for Boeing. The Boeing B-52 is the new "chosen vehicle" for toting the atom or hydrogen bomb on target, and production of this model is expected sharply to increase. This bomber also requires tankers and Temco also produces the assembly for the KC-135 tanker. This all points to net sales above $100 million for 1957.

Now to switch from production to finance, let's look at what the Temco picture may have in store for investors. Presently there are 1,676,831 shares of Temco common listed on the New York Stock Exchange, currently selling around 17 with an indicated dividend of 75c and per share earnings this year in the order of $2.30. (Recent practice has been to pay out 35/40% of net.) In addition to this common, there was offered by prospectus under date of Oct. 23, 1956 (the sole source of all current official information about Temco) $5,000,000 of $5\frac{1}{4}\%$ subordinated debentures due Oct. 1, 1971. These were offered at par and sell around there at the moment; yet they have, built in them, what appears to be a quite attractive conversion privilege into common at $17.25 per share to Oct. 1, 1961. The fact that this bond covers its interest requirement some ten times over; and the conversion rate is "right on the nose," as you might say—for these reasons fanciers of aircraft securities may want to peruse the aforementioned prospectus — arid reading, but authentic factually. Peace is wonderful, but until it comes, aircraft, and the companies producing same, will come in handy.

## Liberty National Bank Opens Bond Dept.

OKLAHOMA CITY, Okla.—The Liberty National Bank and Trust Company of Oklahoma City has opened a municipal bond department to deal in state, county, city and school bonds. George H. C. Green, Vice-President of the bank, will be manager of the new department. He will be assisted by Tom G. Hilborne, formerly manager of the bond department for H. I. Josey & Co.

## Warren Clark Joins R. H. Cobb & Co.

DALLAS, Texas—Warren Clark has become associated with R. H. Cobb & Company, Mercantile Securities Building. Mr. Clark was formerly President of Clark, Harding & Co. of Houston.

## Two With Mutual Fund Association

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Jacob E. Allison and Floyd C. Kneeland have been added to the staff of Mutual Fund Associates, Incorporated, 506 Montgomery Street.

## Joins Central Republic

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Jerome C. Gatto has joined the staff of Central Republic Company, 209 South La Salle Street, members of the Midwest Stock Exchange.

## With Curran Co.

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Tom T. Hiraga has become associated with The Curran Company, 4336 Fourth Avenue. He was previously with Neal Kellogg.

## Steele With Walston

(Special to THE FINANCIAL CHRONICLE)

SALINAS, Calif.—John P. Steele and Lawrence L. Goodfriend have become associated with Walston & Co., Inc., Salinas National Bank Building. Mr. Steele was formerly local manager for William R. Staats & Co., with which Mr. Goodfriend was also associated.

# Observations . . .

By A. WILFRED MAY

## THE ELECTION RESULTS AND THE MARKE

Reflecting on the stock and bond market implications of Tues day's balloting—with its registering of the Republicans' landslid victory in the White House and their failure to recapture the Con gress—let us first consider what *should* logically ensue from th relevant external factors, and then what likely *to be* the result.

A. Wilfred May

### Supporting Factors

The power of government *welfare* inter ventionism, from social security to soil-bank ing, will under Eisenhower-Burns-Humphre remain as a cushion against politically "un thinkable" deflation and depression — as would have under a Stevenson or Truman cu Keyserling. And the great industrial stimulu and fiscal inflater to GNP and the FRB Inde comprised in the $35 billion of Defense spend ing will presumably remain operative, irre spective of the identity of the occupant of th White House. The large expansion of consume purchasing power and savings through perma nently rising wages, the large increases in th nation's population (to which so much "bullish" importance ha been attached), business managers' construction and expansio programs, will all continue. These equity share stimuli would hav been operative and effective even in the face of an Administra tion change.

Realization of this, entailing the overshadowing of politica sentiment by cold-blooded investment logic, was manifested i England where Labor victories, both actual and forecast, brough on major rises in equities; and where, conversely, during the yea following the Conservatives' restoration to power under Churchil stocks actually fell by 25%.

Here in the United States, even in the case of the record ups of 1948, after Wall Street's early shocks over Mr. Truman's ste had worn off, the market staged a broad advance, the Dow Jone Industrial Average scoring a net upswing of 25% (with price earnings ratios also rising by 10% on the average) from Electio Day to the outbreak of the Korean War. And it must be remem bered that this rise occurred on top of a pre-election market ad vance. Again consistently, although conversely, following Ike first victory of 1952 the market after a sharp post-Election ris fell by 15% between December, 1952 and September, 1953.

### Destructive Potentialities

Likewise will the potential market depressants remain unde Ike as they would have under Adlai.

These include:—impact of labor trouble on production an profits; lag of price rises behind cost increases from "inflationary causes other than wage boosts; the high level of private deb unlikelihood of material tax relief (impossible under existence o defense-spending or substitute pump-priming); and vulnerabilit of the market by reason of the duration and extent of its precedin rise which has resulted in the "generous" multiplication of earn ings embodied in the present price of those deep blue "name stocks.

### Bi-Partisan Money Management

And neither does the supply and price of credit, with its effe on the bond market and certain yield-conscious groups (as utili ties) in the share market, depend on which political party happen to be in power. The Board of Governors of the Federal Reserv System, established by law as an independent and bi-partisa body, is now chaired by a Democrat who was first appointed b former President Truman. And no one more than Chairman Ma tin would fit the spirit to the legal letter. Furthermore, the Fed policy decisions are continuingly guided by the Boards of Direc tors of the 12 regional Reserve Banks whose members are similarl selected without political considerations, but for their business an financial experience.

We must further remember that the abandonment of the en gine of inflation which had long operated through the arbitrar pegging of Government bonds at par, occurred back in 1951 wi the adoption of the epochal Treasury-Reserve Board *Accord* under the co-aegis of another Truman appointee, Secretary of th Treasury John Snyder.

Moreover, the decisive *Accord* followed the bi-partisan Con gressional hearings conducted in 1949-1950 by a sub-committee o monetary policy of the Committee on the Economic Report unde the Chairmanship of Senator Paul Douglas, long regarded as h party's leading economic spokesman from the Democratic side o the aisle. The Committee's findings and conclusions were sum marized by Senator Douglas thus:

"We believe that the advantages of avoiding inflation are s great and that a restrictive monetary policy can contribute s much to this end that freedom for the Federal Reserve to restri credit and raise interest rates for general stabilization purpos should be restored even if the cost should prove to be a significan increase in service charges on the Federal debt and a greater in convenience for the Treasury in the sale of securities."

### Unity on Foreign Trade Policy

Nor is the pending agitation to curb independent manageme by the Reserve Board a partisan matter; some prominent Republi cans already joining in.

On foreign trade policy likewise is there now considerab unity. A recent poll of all Congressional aspirants in ten state disclosed that the liberal Reciprocal Trade Agreements Progra was favored by a margin of more than 9-to-1; and that 96% of th candidates also believe it is desirable for the Federal Governmen to extend some sort of assistance to industries facing stiff foreign competition.

* * * * *

Hence I believe, negatively, that Ike's victory *should* have no effect on the securities markets; and, furthermore, affirmatively, that the course of the international political situation, particularly the continuing degree of tension with its stimulus to the $35 billion defense-spending prop, should be vitally important.

And it seems likely that these logical expectations will be fulfilled in practice, at least over the shorter term—witness the intertwined duet of the stock and news tickers and the accompanying commentary since the outbreak of the Soviet Satellite and Middle East conflagrations.

## The State of Trade and Industry

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

Total industrial production in the period ended on Wednesday of last week held at a high point and was moderately above the like week a year ago.

On the employment front, it is learned that new claims for unemployment pay increased by 10,300 to 182,000 in the week ended Oct. 27, according to the United States Department of Labor.

The rise was attributed to bad weather, which hampered construction and lumbering in some areas, and to layoffs in food processing, apparel, leather and textile industries. In the like week a year ago, new claims totaled 176,000.

The department also reported the number of workers on jobless pay rolls declined 7,900 to 867,000 during the week ended Oct. 20, the latest on which figures are available. The total has declined steadily for six weeks and now is about 200,000 below early September levels, the report added. A year earlier, insured unemployment totaled 797,600.

The decline in workers drawing jobless pay was due primarily to further recalls in automobile plants, the department added. The number of auto workers laid off since the first of the year in the seven major auto-producing states and not yet recalled by the industry was reported at 109,000 for the week ended Oct. 27, a decline of 18,000 from the previous week. State reports showed recalls totaled 19,000 while 1,000 were laid off.

However, the department said the cumulative figure of 190,000 is not a measure of unemployment in the auto industry as the figure represents accumulative weekly reports and does not take into account that many of the workers laid off since Jan. 1 may have found other jobs or left the labor market.

The number of persons holding jobs edged up 100,000 this month to set a mid-October record of 66,174,000, the United States Department of Commerce reported.

At the same time, unemployment eased to 1,909,000, the lowest since November, 1953 and 89,000 less than in September.

The mid-October civilian employment level was more than 1,000,000 higher than a year earlier and continues an uninterrupted, 18-month trend of employment records for the particular months.

However, the latest job estimate was some 600,000 under the 66,800,000 high last August, when many students and other temporary workers were in the labor force. In September, 66,071,000 persons held jobs.

The October working population has swelled by 4,300,000 in the past four years, according to the department's Census Bureau estimates.

The advance in employment from September was mostly seasonal, the agency added, with some increase in non-farm activities such as trade and teaching and a slight cutback in agriculture as fall harvesting ended in many areas.

The October unemployment rate, the proportion of all civilian workers out of jobs, of 2.8% was as low as in any month during the past three years and compares with a 3.2% rate in October a year ago.

In the steel industry this week the Midle East incident is forcing steel buyers to take another look at their inventories this week and pressure for delivery and position on steel order books is starting to mount, "The Iron Age," National metalworking weekly states.

The scrap market has already reacted violently with prices pushed up in every important consuming area as steel producers scrambled to rebuild their stocks. "The Iron Age" steel scrap composite price zoomed to an all-time high.

Steel consumers are forgetting about the conservative inventory policy that prevailed before Israel attacked Egypt. Not the least of these is automotive. The whole pattern of steel buying is changing to a faster tempo. If international tensions worsen, some steel buyers will be trampled in the rush, this trade weekly asserts.

Virtually every steel product was tight and growing tighter before the Egyptian War and the revolt in Eastern Europe. Plate, structural and hot-rolled bar inventories were badly out of balance. Hot-rolled sheets were in the same condition. Cold-rolled sheets, used extensively by automotive, are tightening up fast and will run into a real pinch in the months ahead, it states.

Factors behind the growing steel crisis include the probability that a big oil tanker program will be expedited; the chance that the freight car program will be singled out for more speed and the coming push for more steel by auto producers.

Behind-the-scenes pressure for re-imposition of controls on steel is growing. Controls advocates have set their sights chiefly on plates and structurals. A go-ahead on the tanker program would give them more ammunition. But offsetting this are the Administration's objections to controls plus past experience to

*Continued on page 34*

# What's Ahead for Business In 1957 and Next Decade

By MURRAY SHIELDS*

Senior Partner, Mackay-Shields Associates, New York City

**Prominent business analyst appraises numerous factors shaping 1957 and the long range economic outlook and concludes: (1) next year will be a good one, marked by expanded incomes and moderately higher production, characterized by neither rolling boom nor depression but by rolling competition and good business volume; (2) end of the year business level may be below that of the beginning; and (3) that even with recession and merciless competition interludes, the next 10 years' outlook is for record breaking expansion.**

In appraising the outlook for 1957, it is essential that weight be given to the fact that the current year has been marked by a series of far reaching internal economic readjustments which may well have strengthened our economy against recession. . . .

Murray Shields

Several major industries—automobiles, housing, farm equipment and textiles—have already experienced recessions of considerable intensity.

The stock market as a whole has leveled out after years of boom. Yields and price earnings ratios are more favorable today than they were at the end of 1955.

The Federal Reserve authorities have steadfastly refused to use inflationary techniques in order to keep money artificially easy. If they had done so, we probably would have had in 1956 a boom of such intensity as to threaten a bust later on.

Agriculture has adjusted itself to lower income levels and a variety of influences including the soil bank program and sales abroad at world prices have checked the rise in agricultural inventories and brought production more nearly into alignment with consumption.

The Federal Government has held off from tax reduction—despite the political pressures of an election year—with the result that the Federal budget has been showing a modest surplus.

The financial community has accommodated itself to a major advance in interest rates and bond yields.

While inventories have risen in dollar value, the ratio of inventories to sales is believed to have shown little, if any, advance during the year.

There has been no wild boom in new orders, with the backlogs appearing to be solid—involving little or no fluff.

The uncertainties of an election year and of growing international tensions have been absorbed in stride.

Had the boom of 1955 continued throughout 1956, our economy might now be ready for a serious recession. But 1956 has not been a year of boom — it has been a period of rolling internal readjustment.

Another factor to which considerable weight must be given in appraising the outlook for 1957 is the economic momentum inherent in the fact that we are spending close to $6 billion per annum for research and development, in the carefully drawn plans of business to carry forward very substantial programs of plant expansion and improvement, in our road and school building programs and in the further rise in consumer incomes now assured by a new system of contractual commitments by industry to raise wages by substantial amounts each year for the next one to four years.

### Views on New Highs in 1957

These factors support the view that the year 1957 as a whole will probably be a period of expanded incomes and higher production with quite a lot of new highs in our economic statistics. For example, the Federal Reserve index of industrial production will probably average out at about 145% of the level during the period 1947 to 1949. This would be an all-time high and 2% above the average for 1956. And, the Gross National Product will probably be close to $425 billion, up 4% from this year's probable total.

On the whole, the gains in production next year seem likely to be moderate rather than spectacular, with the year going down in our records as neither a period of rolling boom nor of rolling recession, but of rolling competition. As the year wears on, some subtle changes in economic psychology could easily develop. We will probably hear less confidence expressed that rising population and the technological revolution have put everyone on an easy street forever. The conviction now held by some of our businessmen, bankers and economic observers that the future is to be but a free ride up the growth curves is likely to be replaced by a recognition of the fact that growth is not automatic, but must be earned by hard work, hard competition and sound planning. And careful observers will probably begin to question some of the recently expressed confidence that we can delete the word "tough times" from our economic vocabulary even though we do decide that there is no appropriate near-term use for the words "crisis" or "depression." Business volume may indeed be "good" but business conditions are probably going to be less "easy" for a while.

What appears to be in the cards is that while the year as a whole will be a good one, the level of business at the end of the year may well be moderately below that at the beginning of the year. There are several reasons for such an expectation:

### Reason for Expected End-of-1957 Decline

(1) If, as seems likely, the year 1957 is a fairly quiet one in labor-management relations with relatively few strike stoppages of production, supply-demand relationships and price expectations might be changed sufficiently to cause a reduction in inventories in some industries.

(2) While money is not tight enough to cause a depression, it is tight enough to suggest that some marginal activities in the industries which lean heavily on new credit extension may have to be curtailed a bit.

(3) Late in the year, there will be a fairly substantial increase in productive capacity in many industries, which may make it difficult to pass along the next round of wage increases — in which event, profit margins would be adversely affected with business disposed to take a somewhat jaundiced view of the outlook.

(4) The whole Western World is on a spending and investing spree and trying desperately to live beyond its means. Consumers are spending more than their incomes. Many governments are running—directly or indirectly—huge deficits to support prices, to invest in community facilities and to pay of expensive social security programs. Business all over the Western World is borrowing and spending lavishly to increase and improve capacity. This means that our banking systems are being called on to supply vast amounts of funds for improving and expanding productive capacity, for increasing consumption and for meeting the increases in working capital requirements due to wage inflation. As a result, the over-all liquidity position has been reduced. Banks are loaned up; other investment institutions have lengthened their portfolios; and many corporations and individuals have assumed heavy debts. The liquidity of our economic system as a whole may be a a very low level.

### Possible Pause

Under such circumstances, it is almost inevitable that there will be periods when our rate of progress will have to be tailored to our financial and savings capabilities and when we will have to pause a bit to consolidate our financial resources. This could easily happen late in 1957. Tight money is, indeed, a limiting factor in the outlook, and it will be well for us to recognize that money is tight not because of any action the Federal Reserve has taken, but rather because the credit resources simply are not available for consumers, government and business to employ more workers than are available and to buy more commodities than can be produced. To create, i.e., to inflate, credit to meet such demands would be but to expose our economy to the risks of wild debilitating inflation or to a boom and bust cycle—neither of which is to be tolerated in an advanced economy such as ours.

### 1966 Is Prospect

So much for the outlook for the year 1957. The long-range outlook—say for the next decade as a whole—is for record breaking expansion. A glorious new America is on the drawing boards of our builders, in the pilot plant stage in the laboratories of our research scientists and in the solid planning of our aggressive business leaders. The surge in population is almost certain to continue for many, many years and starting in the early sixties the rate of family formation will spurt upward. Our $6 billion per annum outlays for research will produce a whole new series of huge new industries and a long list of fabulous new ways of producing goods at lower and lower real cost so that markets can be widened with consumption and production increased correspondingly.

The road ahead will be a bumpy one and there will be interludes of recession and of merciless competition. But the prospect is that by 1966 our Gross National Product will be reaching for $600 billion in 1956 dollars which would mean that we would attain new standards of economic well being not ever dreamed of by even our wildest optimists.

*An address by Mr. Shields before the National Tool and Die Manufacturers Association, Hartford, Conn., Nov. 2, 1956.

## R. J. Brandt Opens

Robert J. Brandt is engaging in a securities business from offices at 15 Broad Street, New York City. Mr. Brandt was formerly in the investment business on the West Coast, having been associated with Pacific Coast Securities Co., Paine, Webber, Jackson & Curtis, and Hill Richards & Co.

# Our Gold Policy

By BENJAMIN F. PITMAN, JR.*
President, Pitman & Company, San Antonio

**Gold mine President and investment banker Pitman advocates return to gold standard at a realistic price for gold, greater use for gold, enlisting a rich foundation to finance gold standard campaign, and test of 1934 Gold Act's constitutionality. Declares: foreigners assume that sooner or later we will mark up gold; world faces a gold shortage; an international disturbance would cause foreigners to redeem their excess short-term dollar claims; and a U. S. gold embargo would cause gold to go up to $60-$100. Believes tight money is related to gold reserves and that lenders want higher interest rates to cope with purchasing power erosion; and that both parties overlook the gold miner's plight.**

Little more than a century ago the gold industry was literally building San Francisco, and to some extent all of California. Virginia E. Foote, in the August issue of "Fortnight," points out that the gold producers "saved the union in her time of need." Yet today, many economists ignore or belittle the vital role played by the yellow metal in all enduring monetary systems throughout the world.

Benj. F. Pitman, Jr.

### Gold Ranks Foremost in National Defense

Our stockpile of critical and strategic metals and materials is growing to fantastic proportions. Yet our gold reserve remains virtually unchanged. How far would the $21.8 billion go in case of war? The extravagant give-away program of the United States with no strings attached is not buying dependable allies. I feel certain, however, that in the world at large almost anything required to fight a war can be obtained with gold. This is not a cynical thought, but a statement of fact. Would the most gullible person believe that our commodity stockpile, huge as it is, makes us self-sufficient in raw materials necessary to prosecute a war? We import 73 kinds of staples, mostly strategic materials, from 53 countries. Iron ore, for example. How many years' supply do we have stockpiled? It is clearly ridiculous even to consider such an undertaking. In case of war, Venezuela, Canada, and Brazil, friendly as they may be, are likely to insist upon payment in gold or the equivalent—and with war going on there may be no "equivalent." Why? War and inflation are twins. A major war cannot be financed by taxes which are so high already that a substantial increase of tax rates would yield lower rather than higher returns. It cannot be financed by selling bonds to the savers, already sceptical of the future value of the dollar, when a national debt of $280 billion is hanging over the capital market. The many billions required to finance a war can only be obtained by placing the certificates in the banking system—by monetizing the debt, and insidiously diluting the currency. In other words, invariably the price of gold in the free markets goes up in terms of the currencies of any of the belligerents.

During the last World War, gold sold as high as $100.00 an ounce. Naturally, suppliers are likely to demand payment in the one and only enduring standard of value — gold. We learned that when we had to pay in gold coins in North Africa, in Greece, in the Middle and the Far East in order to get the services our armed forces needed.

### Our Mortgaged Gold

A "run" on the Fort Knox nest egg could occur at any time, but such a calamity is practically certain to happen in an all-out war and might be touched off by a shooting fray. The reasoning behind this conclusion is quite simple. At the end of 1955, foreigners held an estimated $17,000,000,000 of short-term dollar claims, according to the U. S. Department of Commerce; at that, this figure may not even take into account the dollar notes circulating abroad which could also be presented for redemption, as a noted Chicago economist, Melchior Palyi, has pointed out. And it still leaves out the $6.6 billion foreign-owned long-term assets, 85% of which consist of securities quoted on the Big Board. Some of that could be liquidated and turned into gold, too. The financial history of the world is replete with the tragic consequences of inflation. Naturally, foreigners rely more implicitly on gold than we do in this country. If one or two large foreign holders of deposits in American banks, or of U. S. Treasury bills, begin to withdraw by taking out the equivalent in gold—a run of incalculable dimensions might get under way.

But, do we not own assets abroad which we could liquidate to offset our liabilities? The Federal Government has claims on foreign countries worth almost $16 billion; American private investments in foreign lands are valued at $29 billion. On balance, we are creditors by all statistical standards. The trouble is that barely $3 billion out of that huge volume of claims is of short-term nature; the rest consists of long-term loans to governments and direct investments of American corporations. How much of the short claims could be mobilized in a pinch is anyone's guess.

Our huge gold reserve is ours in name only; for practical purposes it is mortgaged to others. They could ask for it at any time. Under what conditions — leaving war aside—could that occur? And what would we do if the emergency arises?

### Will We Redeem?

Surely, the American authorities would be unwilling to redeem in gold all the potential demands which war or other disturbances might actuate. An embargo, not without precedent, would be declared. In effect, our hybrid international gold standard would thereby be abandoned. Such a **de facto** devaluation is not beyond the realm of possibility. Should such a cataclysmic financial upheaval come to pass, the dollar price of gold would skyrocket to a point reflecting its intrinsic or replacement value, which may be anywhere between $60.00 and $100.00 an ounce.

### High Interest Rates Partly Attributable to Inadequate Gold Reserves

Speaking of inflation — rising interest rates are one of its symptoms, threatening a continuation of the Super-Boom. Despite the broad powers of the Federal Reserve, the cost of borrowing is likely to stay high. Short of a depression, it may go higher.

Tight money has something to do with inadequate gold reserves. Let's explore this relationship. The flow of fresh savings has not kept up with the demand for loans. Why this formidable demand for funds?

(1) One reason is the insistence of an increasing population on more and better housing, automobiles, appliances and other luxuries. Yet, haven't similar human desires, suppressed though they may have been, existed in the past? I think we should search for more basic reasons. The absurdly low interest rates, induced by dubious financial legerdemain of the New and Fair Deals, have discouraged savings and encouraged borrowing.

(2) The growing conviction that money borrowed today can be paid off later with cheaper dollars.

(3) The widely accepted belief that the value of real estate, stocks, and "things" will increase as the dollar continues to deteriorate. Hence it is smart to borrow and buy now and pay later.

(4) The tendency of corporate managements to obtain funds through the issuance of debt securities, rather than dilute equities through the sale of common stock.

It all boils down to this: The sophisticated have been borrowers, and the benighted thrifty have been betrayed.

As more and more people conclude that inflation is inevitable, the demand for loans will intensify.

On the other hand, the saver is likely to become tougher and request, and get, a rental for his funds which will at least equal the annual erosion in the money's purchasing power. Interest rates of 15% are not uncommon in many parts of the world where the pace of inflation is a rapid one.

The May 1956 monthly letter of the First National City Bank puts it this way, ". . . The future of interest rates depends more than anything on confidence in the value of the dollar . . . If the saver can trust the future value of the money he is lending he will be satisfied with a moderate return. If he loses faith . . . he will demand exorbitant rates . . . or denude the market of loan funds by fleeing to equities. . ."

Could the statement that there is widespread distrust of the dollar's future value be challenged? Wouldn't present misgivings be dispelled by a return to the gold standard at a realistic price for gold? Unless and until the gold anchor is again fastened to our financial ship, it will continue to drift, perhaps at an accelerated rate, down the stream of debasement, and the specter of high interest rates will follow in its wake.

### The Plight of the Gold Producers

Now, I should like to step out of my role as an investment banker, put on my working clothes as president of a gold-producing company, and submit a brief observation on the tragic position of the gold miners. The callous disregard which our government has shown for this persevering and essential element in our economy is beyond comprehension. The day will come when a myopic government will frantically implore a sorely crippled gold industry to step up production.

The former aristocrats of the mining world are virtually the only class of American industry who have been overlooked by the platform writers of both Parties. Our political influence is lower than the proverbial snake's belly. If we are to survive, we must either pull ourselves up by our bootstraps or rely on external forces.

Let us analyze the bootstrap route. Our industry is impoverished, and it is hard to collet a war chest. Nevertheless, to survive, we must whip together an organization for the common good. What can it accomplish? Among many constructive suggestions that have been made, four ideas seem worth emphasizing:

(1) Encourage the use of gold, preferably coins; also in jewelry.

(2) Initiate a large-scale research program to develop industrial and chemical uses for gold. Research has contributed importantly to the lusty revival of the coal industry. The government is sponsoring a costly research program for agriculture. (The farmers, of course, have more votes than the gold miners!) The gold industry has relied on the historical use of the yellow metal as a monetary base, and we now sorely need to develop two bows for our arrow.

(3) Enlist some of the rich foundations dedicated to the preservation of American institutions to finance an intensive campaign to restore the integrity of the dollar through a return to the gold standard. To illustrate how such a move could be effective, I distributed 2,000 copies of an article which appeared in "Spotlight," entitled "Good As a Dollar—How Good is It?" by Melchior Palyi, and I urge that everyone read it and give it widespread publicity.

(4) That the constitutionality of the Gold Act of 1934 again be tested. Since private ownership of the yellow metal has recently been freed of all shackles in Canada, it is mandatory that the U. S. Government do likewise.

### The Effect of External Forces On Gold

Lastly, a word about the external forces which may affect the future price of gold.

As previously mentioned, any International disturbance could, and probably would, cause a run on our gold reserves. Abroad, it is widely assumed that sooner or later the U. S. must mark up the gold price. Sooner or later, the world in general, and the U. S. in particular, will be faced with gold shortage. Our Money Managers seem to be relying on a continued heavy gold output in South Africa for a world production worth around $900 million annually. The complacency of the authorities in this respect might receive a rude jolt.

Despite the blessing of by-product uranium, which amounts to a subsidy, South Africa gold producers are being squeezed, also. If the sorry performance of the South African gold stocks on the London Stock Exchange are an indication, the "grim reaper" now breathing down the neck of the American gold miners will be closing in on the South Africans, too. As one observer puts it, America is exporting its inflation.

Is a higher price around the corner? Probably not, but it might be. In my judgment, it will come without warning.

In conclusion, I can honestly state my conviction that anyone with courage to start mining gold, and those who are now operating, will be well rewarded—and perhaps sooner than you think.

*An address by Mr. Pitman before the American Mining Congress, Los Angeles, Calif.

## Morgan Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert T. Cosgrove, John D. Devine, William F. Roberts, Vincent P. Swanson, and John P. Willoughby are with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

## Shields Opens Branch

WHITE PLAINS, N. Y.—Shields & Company has opened a branch office at 65 Court Street under the direction of Stuart Eaker.

## Business Man's Bookshelf

**Appraisal and Valuation Manual**—American Society of Appraisers Manual Division, 119 West 57th Street, New York 19, N. Y. $15

**Automobile Facts and Figures**—36th edition—Automobile Manufacturers Association, New Center Building, Detroit 2, Mich (paper).

**Basis for Forecasting Nickel Demand in the United States**—Henry D. Lytton, 1326 Twenty Seventh Street, N. W., Washington 7, D. C. $7.50 (unbound).

**Birth of Dyeing**—Arthur D. Little Inc., Cambridge, Mass. (paper)

**Bituminous Coal Trends 1956**—National Coal Association Southern Building, Washington 5, D. C. (paper) $1 per copy in quantity lots; single copies free on request.

**Chemical Specialties Manufacturers Association**—Proceedings of the Association's 42nd mid year meeting — Chemical Specialties Manufacturing Association, 50 East 41st Street, New York 17, N. Y. $7.50.

**Gentle Knight**—My Husband Walter White—Poppy Cannon—Rinehart & Company, Inc., 23 Madison Avenue, New York 16 N. Y. (cloth) $3.95.

**Grievance Process** — Proceedings of an industrial relations conference at Michigan State University — Labor and Industrial Relations Center, Kellogg Center, Michigan State University East Lansing, Mich. $1.

**How to Conduct an Earning Opportunities Forum in Your Community** — U. S. Department of Labor, 341 Ninth Avenue, Rm 1025, New York 1, N. Y. 15 cents

**New Money for Business**—Techniques of Long-Term Corporate Financing — George J. Leness Gillette K. Martin and Roger T Gilmartin — Merlyn S. Pitzele Consulting Editor — McGraw Hill Book Company, Inc., 33 West 42nd Street, New York 36 N. Y. (fabrikoid).

**Nickel Demand for 1956**—Henry D. Lytton, 1326 Twenty-Seventh Street, N. W., Washington 7 D. C. $2.50 (unbound).

**Orderly Buying of Freight Cars**—American Railway Car Institute, 19 East 47th Street, New York 17, N. Y. (paper).

**Paper** — An Everyday Wonder—American Paper and Pulp Association, 122 East 42nd Street New York 17, N. Y. (paper).

**Stock Exchange Official Year Book 1956**—In two volumes—Thomas Skinner & Co., 111 Broadway New York 4, N. Y. (cloth) $33

**Tax Documents from Theadelphia** (Papyri of the Second Century A. D.)—Edited with Introduction and notes by John Day and Clinton Walker Keyes—Columbia University Press, New York 27, N. Y. $10.

**Understanding the New York Stock Exchange**—Guide to work and functions of the Exchange—New York Stock Exchange, New York, N. Y. (paper).

# Handling the Credit Scene During Inflationary Conditions

By WILLIAM F. TREIBER*

First Vice-President, Federal Reserve Bank of New York

**Concluding nothing is more important than preserving the dollar's purchasing power, N. Y. Federal Reserve executive refers to two-fold danger arising from bank financed long-term loans; the need for careful-loan screening; and harmful effect resulting from capital outlays in doses larger than the economy can stand. Using school bonds as an illustration, Mr. Treiber maintains use of cheap money to lower interest costs by some millions would risk a general price increase in the billions.**

Let us look for a few minutes t the current scene. The econ- my is operating at a very high evel. The demands for goods and ervices have een pressing ur capacity o produce the oods and ervices. The emands for apital and ank credit ave tended o exceed the upply of unds avail- ble to satisfy he demands. Most of the ncreased de- mand comes rom business concerns seeking o expand their output or their apacity to produce, although the mount of credit in use by con- umers of durable goods, by home uyers, and by State and local overnments is also still rising.

Wm. F. Treiber

Funds to satisfy these demands or long and short-term credit an come from only two sources: usiness and personal savings or ewly created money.[1] Savings, hich may be income but not pent or income used to repay ld debt, appear to be inadequate o satisfy the demand, as recent orporate and municipal bond ssuers can testify. Some disap- ointed long-term borrowers have herefore turned to the banking ystem for credit to finance their apital expansion programs. here is a twofold danger in this evelopment—first, because bank inancing results in the creation f new deposits, or "checkbook oney," thus adding to the supply f spendable funds; and second, ecause we may try to crowd too uch capital expansion, whether n factories or schools or both, nto a period so short that we annot produce all the steel and ement and glass needed to build hem. The result would be much oney chasing too few goods, and rise in prices.

It is inevitable that, if the rowth of credit is to be kept ithin the present capacity of the conomy to expand production, ome would-be borrowers will et less credit than they wish and ome will be unable to get any or ill consider the terms on which is available to be unacceptable. hese results have already de- eloped, and there have been riticisms that a restrictive credit olicy has deprived small busi- ess, and the home-buying vet- ran, and the school-short com- unity of the funds they wished o borrow. It would not be dif- icult, of course, to create the esired money; in a period of ecord-breaking demand for funds rom creditworthy borrowers, the anking system can expand de- osits sixfold if the Federal Re- erve System just provides the ash reserves.

*From a ta'k by Mr. Treiber before e Trust Division, N. Y. State Bankers ssociation, Albany, N. Y., Oct. 19, 1956.

1 It is, of course, also possible to use e money supply more intensively. Such reater use is measured by increased elocity or turnover; and that is what as happened this year.

## Is Cheap Money Beneficial?

Would it be a service to the people to make money cheap so that school boards could save some millions of dollars in interest when to do so would run the grave risk of contributing to price increases (with a corresponding reduction in the purchasing power of the dollar) measured in billions of dollars?[2] The cost of building new schools might rise by many times the amount of interest saved. The Federal Reserve could make money cheap but to do so under present conditons would make it an engine of inflation.

Discerning bankers will continue to screen loans carefully, to persuade borrowers to get along with less credit, and to encourage borrowers and depositors to generate more savings out of current income. At the same time, such bankers will endeavor to meet the seasonal and sustainable growth requirements of both small and large business; reserves will be provided to the banking system for these purposes. It would be doubly unfortunate if the reserves so provided were used to finance excessive spending on plant, inventories, goods or properties, or any form of speculative activity, and were diverted from their intended use.

2 It is estimated that an increase of one point in the B. L. S. consumer price index would cost the American people $2½ billion per year.

Capital expenditures by business to increase plant and to improve equipment will eventually provide the best antidote to inflation by expanding the output of goods and services, and by raising productivity. But, like medicine, this has to be taken by the economic system in doses that we can stand. If we try to cram in more investment than our savings will finance, we will experience what anyone does when he takes an overdose of medicine—more sickness. There are physical limitations on the ability of even our economy to produce all the desired steel, cement, glass and other materials under the pressure of great demand. Not only can these circumstances foster a dangerous wage price spiral, but also, in the short run, the capital expenditures put more income into the hands of consumers long before the more productive plants are turning out more goods for the consumers to buy. The capital expenditures need to be balanced and financed by increased business and individual savings until the added production becomes available.

### Role of Credit Control

Our discussion has emphasized the role of credit control. Our concentration on this subject does not mean that instruments of credit control taken by themselves can assure the stabilization of the economy at a high level of production and employment. Credit policy is one factor.

In the time of inflationary conditions or of potential inflationary pressures, other things also are important. Sound fiscal policy is important; this includes what the Government takes in and how it takes it in, and what the Government spends and how it spends it. Fortunately the Federal Government has been having a budgetary cash surplus last year and this year.

Inflation cannot be overcome unless the people want to overcome it. Self restraint and wise decisions are called for on the part of all people — consumers and producers — farmers, labor leaders and businessmen.

Increased efficiency in production — increased productivity — can help expand the volume of available goods and services and reduce production costs; this is fundamental to a real improvement in our standard of living. Competition to provide higher quality at lower cost is better than competition in laxity of credit terms.

An increase in wages greater than the increase in productivity generally gets passed on in increased prices. The consumer pays more for the same product. Stated another way, his dollar buy less of the same product. Unwise wage policies and unwise decisions by businessmen in pricing their products can bring a creeping inflation which depreciates the purchasing power of the dollar. It is not feasible for Federal Reserve credit policy to offset fully a creeping inflation brought about by the acquiescence of employers in increases in cost per unit of production.

Although credit policy cannot do the job alone, it can support other measures and, in turn, be supported by other measures in the important effort of seeking to stabilize the economy—to stabilize the purchasing power of wages, of profits, of savings.

You men engaged in trust business are devoting your energies to the preservation of the value of savings. In this endeavor, there can be nothing more important than the preservation of the purchasing power of the dollar.

## J. A. Hogle Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Roy C. Morris Jr. has become affiliated with J. A. Hogle & Co., 507 West Sixth Street.

## Daniel Weston Adds

BEVERLY HILLS, Calif.—Donavon R. Wallace is now with Daniel D. Weston & Co., Inc., 9235 Wilshire Boulevard.

# Dealer-Broker Investment Recommendations & Literature

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

**Area Resources**—Booklet explaining industrial opportunities of area served—Dept. K, Utah Power & Light Co., Box 899, Salt Lake City 10, Utah.

**Atomic Letter (No. 22)**—Comments on atomic merchant ship program with particular reference to **Brush Beryllium**—Atomic Development Mutual Fund, Inc., Dept. C, 1033 Thirtieth Street, N. W., Washington 7, D. C. Also available is quarterly report for period ending Sept. 30, showing table on atomic aircraft program and prospect for British use of atomic power and impact on Canadian uranium, etc.

**Bank & Insurance Stocks**—98th consecutive quarterly comparison of leading banks and trust companies of the United States—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

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

**Drug Industry** and **Seaboard Drug Company** — Analysis — Foster-Mann, Inc., 40 Exchange Place, New York 5, N. Y. Att. D. J. Kesselman, Research Department FC.

**Foreign Oil Companies** — Memorandum — Burnham & Co., 15 Broad Street, New York 5, N. Y.

**High Yield**—List of 11 high-yielding stocks—Zuckerman, Smith & Co., 61 Broadway, New York 6, N. Y.

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

**Municipal Bonds for the Individual Investor**—Bulletin—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

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

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

**Public Utility Common Stocks** — Comparative figure — G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

**Real Estate** bond and stock averages—Bulletin—Amott Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

**Understanding the New York Stock Exchange**—Guide to work and functions of the Exchange—New York Stock Exchange, New York, N. Y. Also available is a tabulation of listed stocks which have paid a dividend every three months for at least 20 years.

* * *

**Aberdeen Fund** — Prospectus — David L. Babson Management Corporation, Dept., CFC 53, 120 Broadway, New York 5, New York.

**Affiliated Fund**—Prospectus—Lord, Abbett & Co., 63 Wall Street, New York 5, N. Y.

**Allis Chalmers Manufacturing Co.**—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

**American Pipe and Construction Company**—Analysis—Security Adjustment Corp., 16 Court Street, Brooklyn 2, N. Y.

**Bell & Howell Company**—Analysis—Stieglitz & Co., 67 Wall Street, New York 5, N. Y.

**Bucyrus-Erie Company**—Bulletin—Georgeson & Co., 52 Wall Street, New York 5, N. Y.

**Capitol Products Corporation**—Report—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

**Chicago Corporation** — Memorandum — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

**Commonwealth Investment Company** and **Commonwealth Stock Fund**—Prospectuses—North American Securities Company, Russ Building, San Francisco 4, Calif.

**Consolidated Virginia Mining Co.**—Bulletin—Walker's Weekly Newsletter, 333 Kearny Street, San Francisco 8, Calif.

**Curtiss Wright Corporation**—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

**De Vilbiss Co.** — Memorandum — Auchincloss, Parker & Redpath, 729 15th Street, N. W., Washington 5, D. C. Also available in a memorandum on **Mississippi River Fuel Corp.**

**Dividend Shares**—Booklet-prospectus—Calvin Bullock, Ltd., 1 Wall Street, New York 5, N. Y.

**Fundamental Investors, Inc.** — Descriptive prospectus — Dept. CFC, Hugh W. Long and Company, Inc., Westminster at Parker, Elizabeth 3, N. J. Also available is a descriptive prospectus on **Diversified Investment Fund, Inc.**

**General Dynamics Corporation**—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

**General Merchandise Co.**—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

**General Petroleums of Canada Limited** — Bulletin — De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

**Gulf Natural Gas Corporation**—Study—T. J. Feibleman & Co., Richards Building, New Orleans, La.

**Harris Seybold Company**—Report—Mellott, Thomsen, Pitney & Co., 29 Broadway, New York 6, N. Y.

**Hussmann Refrigerator Company**—Analysis—Jacques Coe & Co., 39 Broadway, New York 6, N. Y.

**Incorporated Investors** and **Incorporated Income Fund**—Prospectuses — The Parker Corporation, 200 Berkeley Street, Boston 16, Mass.

**Jefferson Electric Co.** — Analysis — Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

**Jones & Laughlin Steel** — Analysis — Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are bulletins on **Thompson Products, American Potash & Chemical,** and **Worthington Corp.**

**Ling Electric** — Report — General Investing Corporation, 80 Wall Street, New York 5, N. Y.

**P. R. Mallory & Co., Inc.**—Report—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

**Glenn L. Martin Co.**—Memorandum—Bear, Stearns & Co., 1 Wall Etreet, New York 5, N. Y.

**Olin Oil & Gas Corporation**—Bulletin—Scherck, Richter Company, 320 North Fourth Street, St. Louis 2, Mo.

**Plomb Tool Company**—Analysis—J. A. Hogle & Co., 50 Broadway, New York 4, N. Y.

**Port of Chicago Lake Calumet Harbor** — Report — De Leuw, Cather & Company, 150 North Wacker Drive, Chicago 6, Ill.

**Safeway Stores, Inc.** — Analysis — Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of **U. S. Plywood Corp.**, a bulletin on **Marine Midland**, and an analysis of the vending machine industry entitled **"Push Button Salesmen."**

**Selected American Shares, Inc.** — Prospectus and data — Selected Investments Co., Dept. CF-11, 135 South La Salle Street, Chicago 3, Ill.

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

**Sovereign Investors** — Prospectus — George A. Bailey & Co., Land Title Building, Philadelphia 10, Pa.

**Supercrete Ltd.**—Analysis—Unlisted Trading Dept., Ira Haupt & Co., 111 Broadway, Room 707, New York 6, N. Y.

**Texas Fund Inc.**—Prospectus—Texas Fund Management Company, Texas National Bank Building, Houston 1, Texas.

**United States Life Insurance Co.** (New York)—Memorandum—Walter C. Gorey Co., Russ Building, San Francisco 4, Calif.

**Virginia Toll Revenue Bonds**—Report with latest statistical information—J. C. Wheat & Co., 920 East Main Street, Richmond 19, Va.

**Wellington Fund**—Prospectus—The Wellington Company, 1630 Locust Street, Philadelphia 3, Pa.



## With E. F. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Frank McCormack has become associated with E. F. Hutton & Company, 623 South Spring Street.

## Harold B. Clark

Harold Benjamin Clark, limited partner in White, Weld & Co., passed away Oct. 28.



## Frederick Fayerweather

Frederick Oakley Fayerweather passed away at the age of 75 following a brief illness. Prior to his retirement he was associated with Eastman, Dillon & Co.

## George F. Wheeler Opens

VALDOSTA, Ga. — George F. Wheeler is conducting a securities business from offices at 205 East Moore Street.

## Forms Marlo Investments

ST. LOUIS, Mo.—Lloyd M. Martin is engaging in a secrities business from offices at 939 Oakridge Avenue under the firm name of Marlo Investments. He was formerly with King Merritt & Co., Inc. and Federated Plans, Inc.

## Two With H. L. Jamieson

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Williston L. Bradway and Norma V. Ford have become connected with H. L. Jamieson Co., Inc., 6399 Wilshire Boulevard.

## S. M. V. Hamilton With Montgomery, Scott & Co

PHILADELPHIA, Pa. — Montgomery, Scott & Co., 123 South Broad St., members of New York Stock Exchange and other leading exchanges, announce that Samuel M. V. Hamilton has become associated with them as a registered representative.

S. M. V. Hamilton

Prior to joining Montgomery, Scott & Co., Mr. Hamilton was associated with Butler Company, paper merchants.

Following graduation from T Choate School, Wellingford, Con Mr. Hamilton entered the Unit States Army, serving duri World War II. Following milita service, he enrolled at the Un versity of Pennsylvania, gradua ing in 1949.

## Boswell, Weishel With McCormick & Co

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Byron E. Bo well and John J. Weishel ha become associated with McCo mick & Co., 231 South La Sa Street, members of the New Yo and Midwest Stock Exchang Both were formerly officers of C. Gibson & Co., with which th had been associated for ma years.

## Crossman, Ballen & Hoffman Forme

DALLAS, Texas — Crossma Ballen & Hoffman has be formed with offices in the Gibra tar Life Building to engage in security business. Partners a Jerome K. Crossman, Samuel Ballen, and Edmund M. Hoffma Mr. Crossman and Mr. Hoffm were formerly with Eppl Guerin & Turner. Mr. Ballen w with Lehman Brothers and We heim & Co.

## Michigan IBA Group Elects Officers

DETROIT, Mich. — The Inves ment Bankers Association America, Michigan Group, at annual meeting on Oct. 24, at t Detroit Club, elected the followi officers and executive committ members:

**Chairman:** Harry A. McDona Jr., McDonald, Moore & Co.

**Vice-Chairman:** William Hurley, Baker, Simonds & Co.

**Secretary-Treasurer**—Robert Benton, Jr., Manley, Bennett & C

**Executive Committee** (3 Ye Term): Henry Earle, First Michigan Corp.

**Executive Committee** (3 Ye Term): John K. Roney, Wm. Roney & Co.

## Three With Daniel Reeve

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. George Clark, Harold L. Flang and Raymond C. Suran are no associated with Daniel Reeves Co., 398 South Beverly Dri members of the New York a Los Angeles Stock Exchanges.

## With Fewel & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Jam H. Welch is now connected Fewel & Co., 453 South Spri Street, members of the L Angeles Stock Exchange.

# Inequities in Analysis Of Industrial Investments

By K. W. ALTEN
Certified Public Accountant, New York City

**The complete lack of uniform methods in financial reports of industrials, according to Mr. Alten, makes it difficult for the investor to compare and compels an analyst to first identify similarities, reduce differences to a common basis, or evaluate them—a costly process. Writer suggests procedure to establish uniform methods and principles for firms in an industry, which would not change present record keeping, but would allow investor analysis in place of a guessing game. Reviews problems of inventory, capital assets, reserves, liability reserves and surplus reserve valuation, and the seven methods employed in depreciation, depletion and repairs.**

Financial reports of industrial corporations are based on such a variety of methods and principles that no comparison is possible between financial reports of different corporations in identical or affiliated industry groups. To find a comparable basis is an often impossible task under today's conditions. Improvements of this situation are needed and practical for the protection of the investor. Investors and analysts depend to a large degree on comparison of financial data of different corporations in identical or affiliated industry groups to bring out the characteristic features of one investment against the other. The primary material available for this purpose are the financial statements periodically issued by the corporations themselves. Well known security services such as Moody's, Standard & Poor's, etc. are, alone in view of the multitude of their publications, in no position to publish more than mere reprints of these statements without serious analysis or reclassification which would try to put the financial data on a comparable basis. This type of work is reserved for detailed analyses by qualified security analysts in specific cases after considerable research and study.

K. W. Alten

The question arising, then, is: do financial statements of different corporations offer a common basis, safeguard common treatment of common problems, in other words, furnish a common denominator for their comparison with each other?

Uniform rules and regulations do not exist in industrial accounting such as in the field of railroads, public utilities, and financial institutions. "Generally accepted principles of accounting" is the standard prevalent in industrial accounting. But what is "generally accepted," what is "principle," and what is properly applicable to the particular case is often a matter of opinion, uncertainty, and conjecture amongst professional accountants and industrial management alike. To aggravate matters, there is often a wide variety of methods available from which to choose. The result is an almost complete lack of uniform methods in financial reports of industrials. Space permits the discussion of only a few examples.

### Inventories

The importance of inventories is alike for balance sheet and earning figures. Differences in inventory valuation affect not only these but likewise stockholder's equity and earnings per share, working capital, and most every ratio computed.

One of the problems of inventory valuation is determination of inventory cost. It will be remembered that two of the foremost methods are the "FIFO" and the "LIFO" methods which, in times of changing material and commodity prices, furnish entirely different financial results. FIFO stands for "First-in first-out" in the sense that sales are considered made from oldest stock. The effect is that ending inventories consist of most recently purchased or produced goods and, in times of rising prices, are priced at the high cost of most recent purchases or processes. LIFO, in turn, stands for "last-in first-out" and assumes sales made from most recently purchased or produced stock. As a result, ending inventories consist of oldest products on hand and their cost is lower according to lower price levels at the time of their acquisition or completion. Results are opposite in times of falling prices.

In view of the general price rise during the last 20 years, the practical difference of these two methods becomes evident. FIFO which resorts to current high prices for costing ending inventories, results in higher inventory valuation and, consequently, in higher earnings than LIFO which applies lower cost to valuation of ending inventories. The monetary difference between both methods is substantial and may be well understood by one striking example: On Jan. 1, 1955, the General Electric Co. changed its method of costing inventories from FIFO to LIFO. To quote from the company's financial report (page 22): "As a result of this new procedure, the company's 1955 net earnings were reduced $20 million." Of course, it must be clearly understood that this reduction in earnings is non-recurrent, caused by the change in costing methods at a certain date. But differences in valuation must almost be kept in mind in the sense that inventory valuation—and all other items affected thereby as outlined above—would look quite different if not the adopted but the other method had been used.

As long as prices hold fast or rise LIFO-method, while showing comparatively low inventories, has the effect of keeping profits down and of creating latent inventory reserves of sometimes sizable proportions. FIFO-method, in turn, while reflecting higher priced ending inventories, creates larger current profits as well as non-recurrent inventory profits when old, low priced inventories are sold.

Indication in financial reports of the particular method used in costing inventories is hardly of much help. If one corporation uses FIFO and the other LIFO what would the difference be in inventory valuation and in earnings if each had used the other method? How much of an inventory reserve is being built up by the corporation working with LIFO? What part of earnings of the other corporation are non-recurrent inventory profits under FIFO? These questions cannot be answered from material contained in financial reports. Even management is likely not to know the answers without considerable research or not at all. However, without this knowledge, there is no comparable basis given for different corporations.

### Capital Assets

The size of real estate, plant, and equipment and the additions thereto contemplated by today's multi-billion dollar expansion program of industry make the importance of capital assets self-explanatory within the financial set-up of corporations.

Unfortunately, the valuation of capital assets in reports of different corporations is so varied and meaningless that the methods used almost prohibit their comparison with each other.

In cases of outright purchase and of self-manufacture of assets, no serious problem of original valuation (at cost) should arise. Cost determination, however, becomes problematic when assets are acquired by merger, in reorganization, against issue of capital stock, or under lump-sum valuation. In these cases, original valuation is largely open to discretionary, sometimes arbitrary determination by management which is not alleviated by the use of experts who, at times, are known to disagree amongst each other. Different corporations use their discretion quite differently when fixing original valuation of capital assets which fact is not conductive to their comparisons with each other.

The real obstacle, however, is the very nature of the valuation itself. No capital asset can be disposed at at any time for its original valuation (cost), not even immediately after acquisition and prior to installation and use. Original valuation, therefore, does not mean market value. In times of rising prices, capital assets cannot be replaced at their original valuation. Replacement cost is ever increasing while original valuation is fixed. It follows that original valuation is certainly not identical with replacement value. Indeed, the meaning of original valuation is extremely limited. It has its meaning foremost as basis of managerial policies, as determining factor of annual charges for depreciation, etc. and their accumulation in reserves (see below). Aside from this, original valuation is limited to a purely reporting character which is entirely valueless for comparative purposes. In times of changing prices, even identical capital assets necessarily show different original valuation when acquired at different times. Thus, it becomes quite apparent that its innate historical character forbids comparison of original valuation of capital assets.

### Depreciation and Repairs

Comparison of capital assets is further aggravated by management's policy of depreciation, amortization, and depletion ("depreciation" for short) through which original valuation is periodically reduced so as to reach zero or scrap value the day the asset terminates its useful life, suffers its "service death."

Depreciation policy, in turn, especially through the necessary determination of length of useful life of the asset as basis for the rate of depreciation, is closely connected with another managerial policy: that of repairs and maintenance, retirements and replacements of capital assets ("repairs" for short). Let us shortstop for a moment at this policy. If management applies a policy of at least normal repairs, keeps assets in tip top shape and replaces worn parts readily, then, useful life will extend longer than where assets are allowed to deteriorate rapidly, where repairs are either referred to better years or kept at a minimum without offsetting the hastened decline in usefulness through increase in depreciation. Here, physical and economic values of capital assets decrease beyond sound proportions and may reach scrap value or zero long before expected life expiration. Reduced repair and maintenance charges as compared with prior years, excessive book values of capital assets which should have been retired long ago, may sometimes tip off analyst and investor about the objectionable policy and arouse his suspicion of inflated report valuation of capital assets. But corporation reports do not give this detailed information and usually do not permit any conclusion. Differing and hidden policies of repairs, maintenance, retirements, and replacements, therefore, impede further comparison of capital assets.

Returning to the policy of depreciation, amortization, and depletion: a multitude of methods furnishes varying results in annual write-off charges and in additions to reserves. These, in turn, lead to considerable differences in report valuation of capital assets.

### Methods Used

Some of the methods in the use are shown in the following practi-

Continued on page 29

## The Economy, Earnings and Dividends

**First National City Bank's "News Letter" reports an encouraging ability of economy to make "rolling adjustments" without decline; notes after tax corporate net income tended to decline; and that reported cash dividends set a new high for first nine months period.**

Dividends, corporate earnings, and economy's strength are reviewed in the November monthly publication of The First National City Bank of New York. Reporting that "the record provides evidence of the resiliency of today's economy," the "Monthly Bank Letter" notes that "a similar display of strength occurred in the first half of this year when gross national product continued to rise steadily although automobiles, homebuilding, and several other industries were simultaneously undergoing sizable contractions. The ability of the economy to make these 'rolling readjustments' without a general downward spiral has been a noteworthy and encouraging development of recent years. The smoothness of the adjustments has impressed both business men and consumers, and, consciously or unconsciously, has influenced their decisions to buy and build. Their faith that business fluctuations will continue to be small has encouraged them to make long-term commitments, which can be a force for stability if they are right."

The "Letter" finds there is no real evidence that a let-down is imminent. Peak rates of business activity are widely anticipated for the next few months and there is every indication that the nation's total output of goods and services in the current quarter will surpass the record rate of $413 billion per year reached in the third quarter. This holds true whether one takes the pessimistic view that the economy is in the last stages of a boom which started in 1954 or the optimistic outlook that the upturn following the rolling adjustment of early 1956 is just beginning.

### New and Unfilled Orders

"The momentum of current work in progress, reinforced by heavy backlogs of unfilled orders, construction contracts, and other commitments, appears sufficient to carry business well into the new year at a high level. New orders for manufactured goods have run consistently ahead of shipments in the past year, and the growth in backlogs has been nearly $1½ billion a month since late spring. Unfilled orders at factories totaled $61.8 billion at the end of August (the latest report available), $10 billion more than a year earlier and the highest total since late 1953.

"Business inventories also have continued to build up, standing at the end of August at a new peak of $86 billion, $6.4 billion above a year ago. Nevertheless, the rise in the aggregate does not appear to have outrun the rise in sales. At the retail and wholesale levels inventories have in fact lagged behind sales, due mainly to declining new car stocks of auto dealers, which offset increased stocks in other lines. A downturn in the flow of new orders and sales would, of course, result in inventories becoming topheavy, but until such a downturn is clearly established over a significant period, the weight of inventories alone is not likely to precipitate a business decline.

### Third Quarter Corporate Earnings

"Corporate reports published last month covering the third quarter reflect the continued near-record level of over-all production and consumption and show that dollar sales in the aggregate were maintained around the relatively high rates of the first half year. Corporate net income after taxes, however, tended to decline. In contrast with the first two quarters of this year, when preponderant gains were reported over rising trends a year ago, the latest quarterly earnings figures range from generally narrowing spreads over last year to substantial decreases.

"Tabulation of the statements of 694 non-financial companies for the third quarter, by the First National City Bank, says combined net income after taxes of approximately $2.4 billion—15% below the second quarter of this year and 9% below the third quarter of 1955. For the first nine months, the net income total of $8.1 billion is 1% above the same period of '55, thanks to the widespread gains registered in the first half of this year.

"For the manufacturing industries, which together make up about three-fourths of the reported totals in number and in net income, the third quarter net earnings were 12% under last year. For the nine months, however, such totals were practically even.

"Sharp decreases occurred in the steel group, as a result of the July strike, and in the automobile group, reflecting the curtailment in production; without these two important groups the manufacturing category would show a 6% increase in the third quarter.

"More than half of the industry groups and 57% of the individual companies made third quarter increases. Earnings, however, generally increased less than sales, indicating that total costs were rising faster than sales and that, consequently, profit margins were being squeezed. Especially where the sales gains realized were only moderate in extent, rising operating expenses usually brought about a decline in earnings; 21% of the companies showed sales up but net down. For the reporting manufacturing companies as a group, the average net income after taxes per sales dollar narrowed from 7.5 cents in the third quarter of 1955 and 7.4 cents in the second quarter of this year to 6.4 cents in the latest quarter. (For the first nine months, the reporting manufacturers' net profit margin narrowed from an average of 7.8 cents per sales dollar in 1955 to 7.2 cents this year.)

"Among the more important reasons for the third quarter profit drop were the steel strike, affecting the steel producers, steel consuming industries, railroads, and others; the forced curtailment of output to correct inventory accumulation in the automobile, farm implement, and some of the appliance industries; rising labor and material costs affecting industry quite generally: and the slowing of the residential housing boom and in demand for building materials.

"Manuafcturers attempted to advance prices to protect profit margins in the face of rising labor and material costs but price advances tended to lag behind and were not always competitively possible.

### Dividends Increasing

Publicly reported cash dividend payments during the first nine months of this year rose 13% in dollar total to set a new high record for the period, according to Department of Commerce computations. Increases occurred in all major categories of manufacturing, as well as in the fields of mining, trade, railroads, electric and gas utilities, communications, and finance.

"In numbers also the favorable dividend changes this year have well exceeded the unfavorable, according to the regular monthly tabulations by the New York "World Telegram & Sun." During the first half year, however, the gains over the same period of 1955 were relatively more numerous than during the third quarter, as may be seen from the foregoing summary.

"The figures given in the 'Letter' cover cash dividends only, and are exclusive of dividends paid by a company in its own stock. Such distribution made in stock serves to conserve cash for a company's growth requirements; at the same time it gives the shareholder some recognition of his interest in current earnings and also build up his cash dividend income if the company maintains the same rate of cash dividend. According to the New York Stock Exchange, there were 81 listed companies that during the first nine months of this year paid stock dividends of 24% or less, compared with only 56 companies in the same period last year. In addition, there were numerous stock distributions ranging from 25% up to several shares for one—classified as stock splits."

## The Problem, But Hardly A Solution

"It is essential that the potential scientist or engineer study mathematics throughout his full four years of high school. For only then can he enter a college, university, or engineering school properly equipped to handle the technical courses which he must master." — Albert E. Meder, Jr., Dean of Administration, Rutgers University.

"Pay qualified teachers for an additional period of science and mathematics teaching each day, so as to stop the extra afternoon and evening jobs which so many are compelled to carry. This is debilitating to their energies and peace of mind.

* * *

"Popularize the notion that it is fun to be a scientist."—Morris Meister, Principal of the High School of Science in this city.

**The basic trouble, of course, is that mathematics and science are "hard," and present day students, like many of the rest of us, do not relish real work.**

## *From Washington Ahead of the News*

By CARLISLE BARGERON

The consensus among Washington observers is that now with the elections over, the Middle East situation will rapidly become accepted to be just what it is now: a "police" action by Britain, France and Israel. That is the service they are rendering now and they aren't likely to be displaced by a force made up by smaller nations recommended by the United Nations.


Carlisle Bargeron

Public opinion will swing around to support this action; indeed, public opinion is probably pretty much that way now.

The great crime these three nations committed in the eyes of the Eisenhower Administration is not what they did but when they did it. The Administration, while the campaign was on, has had to take the criticism that its intelligence system broke down, that it was in total ignorance of what Britain, France and Israel intended to do. This is only partly right. The Administration knew very well that Britain and France were straining at the leash. It did hope to hold them in check until after the elections.

With the elections over, those influences who have been moaning over the "break-up" of the Western alliance, who have been saying that Russia made a great accomplishment in splitting it, will find their apprehensions unjustified. Throughout the tension of the past several days the Administration has repeatedly emphasized its appreciation of the Franco-British attitude. This appreciation, this understanding, will become increasingly apparent from now on.

The experience, however, should bring into sharp relief the basic conflict in the policies of our government and those of the Governments of France and Britain which have existed ever since World War I. Both came out of that war with their empires reduced and they were further reduced after World War II. And in each instance we encouraged this reduction.

Our traditional policy has been to encourage the national aspirations of peoples. We like to attribute this to the fact that we, ourselves, were once a colonial people and won our independence from the mother country. But more likely it has deeper roots in the heterogeneous nature of our population. Let a revolution break out most anywhere, or a nationalist movement get underway, and very likely peoples from the countries involved are among our own citizenry and they have members in Congress to speak for them.

It is a fact that we don't have many Arabs voting in this country but we do have so many other nationalist groups that our government felt impelled to encourage Egypt's nationalist aspirations and it unquestionably brought pressure on Britain to get out of Egypt. This was very high principle on our part no doubt but the ambitious Egyptian dictator didn't have sense to let well enough alone. He set out to organize the entire Arabic world.

I have pointed this out before, but we are so constituted as a nation that we are in a poor position to be a so-called global leader. Every action that is taken in foreign affairs has to be explained to too many segments of our people with varying racial backgrounds and it becomes subject to political controversy. Too often our State Department can't do the most effective thing; it has to do the politically expedient thing. This weakens our vaunted might to the extent, in fact, that we frequently seem impotent.

It so happens that the British and French Governments are being subject to bitter criticism in their own countries for their move against Egypt. But the criticism comes more from war weariness than from conflicting nationalistic groups. And if they succeed in regaining the Suez Canal with a minimum loss of life everything will be forgotten.

By way of keeping the record straight, the words of the British delegate at the General Assembly of the United Nations on the night of the vote to censure the three aggressive countries should not be lost.

Back in 1950 he recalled, the North Koreans moved into South Korea. This nation, as he put it, was in the most logical position to move against this aggression. And it did move without coming to the United Nations. It came to the United Nations after it had intervened. This is a fact. It is also a fact that Truman didn't even go to Congress.

### Dempsey-Tegeler Mgr.

PASADENA, Calif. — Raymond E. Kubitschek has been named resident manager of the Dempsey-Tegeler & Co. Pasadena office at 465 East Green Avenue, it was announced by company officials. He has been associated with the Dempsey-Tegeler Los Angeles office for the past eight years in a sales capacity, and has over 32 years experience in the securities investment industry.

### Inv. Women of Chi. to Hear

CHICAGO, Ill.—Harry G. Kipke, President of Coca Cola Bottling Company of Chicago, will speak to the Investment Women of Chicago and their guests at their "Bosses Night" dinner meeting on Nov. 14 at the Chicago Bar Association. Mr. Kipke, one of football's all-time greats and former coach at the University of Michigan, is a member of the Board in Control of Intercollegiate Athletics and of the Board of Regents of the University of Michigan. He will speak about football as related to business; his topic being, "Coaching Is Tough, But Business Is Tougher."

### With W. G. Nielsen

(Special to THE FINANCIAL CHRONICLE)

BURBANK, Calif.—Clarence E. Hardin is now with W. G. Nielson Co., 912 North Hollywood Way.

### Harry Pon Adds

(Special to THE FINANCIAL CHRONICLE)

AZUSA, Calif.—Henry P. R[...] has been added to the staff [of] Harry Pon, 711 North Azu[sa] Avenue.

### Two With Lloyd Arnol[d]

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—W[...]ter Davis and Bruce E. Thornt[on] have become connected w[ith] Lloyd Arnold & Co., 404 Nor[th] Camden Drive. Mr. Thornton w[as] previously with Samuel B. Fran[k]lin & Co.

### Joins T. R. Peirsol

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Fr[...] O. Goodell has joined the staff [of] T. R. Peirsol & Co., 9645 San[ta] Monica Boulevard.

# Value vs. Price In the Stock Market

By FRANCIS B. WADELTON, JR.*
Vice-President of Affiliated Fund, Inc.

**Mr. Wadelton urges careful distinction between value and price factors as prerequisite to successful investing. As principal elements of value of a stock marking an ownership share in a going concern, he lists earning power and its quality, including stability, long-term and growth prospects; risk factors including management ability, product and market diversification, inventories, and government regulation. Cites relevance of prevailing return on invested capital. Maintains price is affected by psychological factors which have no part in determination of value.**

The difference between value and price in the stock market is probably the least understood relation; yet I think it is the most important. If value and price were always equal, investing in common stocks would be a great deal easier than it is. The fact is that they are not always equal. At any particular time for any particular stock, price may exceed value materially, and vice versa. Not only that, but price may be declining while value is increasing, and vice versa. This explains why you may buy the stock of a growth company and the company may grow, but you may in the same period lose money through your investment in it.


F. B. Wadelton, Jr.

Before I attempt to discuss the factors which cause price and value to differ, it is necessary for me to describe the principal elements of value. Then you will know what I mean by the term "value."

### The Meaning of "Value"

First of all, we must bear in mind that, with very few exceptions, when an investor buys a common stock he is investing in a going concern. The worth of a going concern is dependent upon its earning power. After all, the reason that a company is in business is to make money for its owners; and when the investor buys a part ownership of that company, he is buying a claim on its earning power. So, if one were to attempt to estimate the value of a stock, his first step would be to investigate the factors affecting the company's earning power and form some conclusion as to how much money the company might be expected to make under various operating conditions.

Now, it is well recognized in the investment profession that the earnings of some companies are worth more than the earnings of other companies. In other words, there is an element of quality to be reckoned with.

### Quality Factors in Earnings

I consider the most important single factor in the quality of a company's earning power to be its long-term growth prospects. To explain this let us assume that over a period of many years our economy will continue to expand and that any large, well-established concern will increase its earning power somewhat in the process of holding its competitive position. Such a company might show an average increment of 2½% a year. On the other hand, some have demonstrated growth at 15% or more compounded annually, and the companies that grow at such a rate are worth considerably more than the ones that grow at an average rate.

Another important element of value is the stability factor. I am sure that you are all aware of the fact that there are some companies whose earnings have not been too greatly affected by general business conditions whereas other companies of equal or better quality in other respects have proven extremely vulnerable to business recession. The earnings of the vulnerable companies are not worth as much as the earnings of those which are not vulnerable.

Other important elements of value may be grouped together under the heading of risk elements. These include such items as quality of management, diversification of products and markets, inventories, and government regulation. The greater the risk, of course, the less the value.

With reference to any particular stock these elements of value can be investigated and weighed by a competent security analyst, and as a result the security analyst can arrive at an estimate of value for that stock. In doing this he has to take into his calculations one additional element, namely the prevailing return on invested capital.

It is not an easy job to estimate values of a large number of important invsetment stocks, but it can be done under present-day analytical techniques.

### Psychology and the Market Price

To this point I have talked about value and not market price. Let us now consider price. Price is affected by psychological factors which have no part in the determination of value. Some of these psychological influences are well known as "confidence," "inflation," "uncertainty," "rumor," and many others. Perhaps some of you may recall that in the thirties there existed a "theory of economic stagnation." This became a psychological factor which influenced considerably the determination of the price at which a security should be bought or sold.

When the means of communication are as good as they are in this country, the psychological factor is very powerful. Fortunately, it is also because of this excellent system of communication that unrestrained rumor is held in check, so that there is a very small probability of another "Mississippi Bubble" or "Tulip Mania" where speculation reaches extreme proportions.

Nevertheless, restrained speculation is still fed by rumors and ideas in a garb that seems authoritative. One source of such price influence is scientific discovery and invention. With the advent of atomic energy nothing seems impossible. Hence there has been a great upsurge of confidence in scientific research. Every new announcement from a laboratory is greeted with bated breath and imaginings of future benefit. New drug cures, new machines to take the place of brains, new sources of light, heat pumps, atomic energy, satellites—all have become part of the mental climate of our day. Just as the psychological influence of the idea of "stagnation" affected prices in the 30's, so today prices are affected by scientific wonders usually crystallized into a vague concept of growth. The result has been that some stocks have sold above 30 times earnings.

The longer such an attitude prevails the more it seems to be a normal one. It is like the people of Japan who live in an area of earthquakes and typhoons. After they have lived long enough under such a situation it is accepted as normal.

It is the operation of such psychological forces in the stock market which leads to beliefs in "New Eras." A current belief of many people, apparently including some outstanding economic authorities, is that we have eliminated the business cycle. Perhaps we may have changed it in some way, but the important thing is that such an idea becomes a basis for expectations that are no more than optimistic hopes.

Prices are affected not only by the basic psychological state but also by the daily shifting of the winds of opinion as influenced by the press and other means of communication. It may be the President's health, an international incident, a scientific discovery, or the outcome of an election. Few people attempt to relate these short-run factors to any standard of value.

### Cumulative Psychological Effects

Where psychological factors dominate it is only the trend of prices that matters. Hence so long as an optimistic set of ideas are in the ascendency, prices tend to move higher and the higher they go the more the ideas are reinforced. Consequently, prices tend to move well ahead of current values and finally discount future values years ahead. In this process the risk factor, of course, steadily increases. More and more people refuse to take the risk and the market becomes vulnerable to a decline. Then the reverse process sets in and prices discount possible unfavorable conditions much more drastically than prudent judgment would warrant.

While I have been talking, perhaps certain ideas have occurred to you. I hope that, while I was talking about value, you formed an opinion that although common stock evaluation might be difficult, it is practical. On the other hand, I hope that when I was talking about how market prices differ from values, you were left with the feeling that forecasting the psychological and temporary factors is virtually a hopeless task. If these are the impressions you have received up to this point in my talk, you have learned all that I have tried to tell you.

### The Practical Application

Now as to the practical application of these concepts. The professional trader in the stock market it aware of what I have described and takes advantage of it. He operates in what is known as the technical position of the stock market. He follows elaborate systems so that he may be informed as to when the general buyer of stocks is approaching a state of either enthusiasm or perplexity as to the outlook for stock prices and attempts to beat them to their decision. There have been some professional traders who were successful in this manner over long periods of time.

### Success Temporary

The nonprofessional trader may occasionally be successful for a short time but never is in the long run. While the professional trader operates systematically, the amateur constantly makes the mistake of trying to foresee the various elements which represent the difference between price and value, and, as we have already seen, this attempt is doomed to failure. Most of the advice which the typical investor receives, although usually including value elements, is found, upon analysis, to be based largely on guesses as to the short-range price-determining factors.

Now let us see how the manager of a large investment portfolio having at his disposal a staff adequate to make the necessary security evaluations can use the distinction between value and price to great advantage. The investment manager is not one who follows the methods of the professional trader. He does not aim at a spectacular showing over a relatively short period of time since he knows that this requires the assumption of risks not consonant with the trust which has been placed in his hands in the management of other people's money. He doesn't attempt to predict the psychological and temporary factors. His concern is primarily with the determination of values. Then, when market forces affect prices to the point at which they are substantially under or over the values, he can buy or sell as the case may be.

### Exploiting

There may be times when prices are so depressed by psychological factors that most common stocks become greatly underpriced with relation to their values. Then the investment manager buys those that show the greatest values for their prices—that is, those which would show the greatest percentage gains if they were to sell at their existing values. Sometimes, as Affiliated Fund has done, he will have borrowed money to buy additional securities.

### Matching Prices and Values

As more and more investors and traders become aware of investment opportunities, prices and values tend to coincide for more and more securities. During this phase the investment manager's portfolio remains fully invested.

But as prices begin to exceed existing values the investment manager stops buying those stocks in which the excess shows. Finally, when the excess of price over value reaches a point of undue risk for a stock he sells that one. As prices advance further he continues to sell various stocks. His portfolio is then likely to consist of stocks which represent satisfactory values, but which have not been popular with the investing public. Such stocks involve the least risk with respect to general market decline and when his portfolio has evolved to this point the investment manager knows that it is a good time not to assume too much market risk. Accordingly he may find it wise to accumulate cash to be invested in short-term government bonds.

In due course either of two things happens. Either stocks decline to a point at which those formerly overpriced become low relative to their values, or price advances are restricted while growing values catch up to prices. In either case the investment manager finds himself back at the beginning of the cycle and the process continues as before.

Over a long period of time this method should provide growth of principal and income substantially greater than that of the national economy as a whole while avoiding undue risk. Such a long-range investment performance is made possible by the careful distinction between the factors entering into value and those which make for price.

*A talk by Mr. Wadelton before the Public Foundation for the Economic Education of Women, Inc., New York City, Oct. 22, 1956.

# Seeking Causes and Remedies Of Congested Mortgage Market

By G. D. BROOKS*
Vice-President and Treasurer,
National Life and Accident Insurance Company, Nashville, Tenn.

**Prominent life insurance executive perceives no loan demand decline, nor interest rate reduction, in the near future, barring a general business decline, and attributes "congested" mortgage market to Congress, various organizations, home builders, mortgage companies, and institutional investors—to extent they may be responsible—for building "too many housing units too fast," and financing this construction with unrealistic loans. Mr. Brooks offers a number of suggestions to correct this situation, and emphasizes, despite present buyers market, the very attractive features mortgages still offer.**

I shall discuss some of the factors that have caused the congested condition that exists in the mortgage market and seek to find some remedies for the malady. My personal opinion is that an effort has been made to build too many housing units too fast, and that this construction has been financed with loans that are completely unrealistic with respect particularly to down payments and length of maturities. I have repeatedly made the statement that we could not expect to build, finance and sell one million or more new housing units each and every year without bringing about a financial crisis. The continued attempt to do so has now caused a financial crisis to exist insofar as the real estate mortgage market is concerned.

G. D. Brooks

### Who Is to Blame?

Everyone concerned must shoulder his share of the blame for the conditions that exist today: members of the Congress who passed the legislation that helped create a housing boom, the various organizations who sponsored the legislation, homebuilders who created millions of housing units without real regard to the sound demands of the market, mortgage companies who attempted to convert to mortgage "factories" turning out loans on an assembly line basis, and last but not least, institutional investors who supplied, or agreed to supply, the necessary money even to the extent of committing funds expected to be received many months in the future.

I believe we can agree that a monster has been created, and the question now involved is what can be done with it.

I believe members of Congress should consider legislation pertaining to Government guaranteed and insured loans from the standpoint of the development of a **housing program** rather than a welfare program.

I believe that organizations which sponsor housing legislation should consider selfish interests to be secondary to the public welfare.

I believe homebuilders should adjust their production of houses to the real demand of the buying public.

In determining real demand, it is necessary to consider the willingness and ability to pay on the part of prospective home buyers and the willingness and ability to lend on the part of investors. Probably everyone has a desire for a 1957 Cadillac, but I believe General Motors officials will be smart enough to base the 1957 production of Cadillacs upon the willingness and ability of the public to purchase and finance automobiles in that particular price range and not simply upon the desires of the public.

### Reducing Down Payments

Mortgage companies have had a "field day" for more than ten years because of the investor's desire for loans that provided a better yield than that obtainable from bonds and other forms of investments available to financial institutions. To say that the picture has changed is to make the understatement of the year, and the mortgage banker who continues to obligate himself to make loans without having covering commitments from his investors is engaging in a very hazardous enterprise. Certainly this is no time to talk of recommending changes in State laws to permit conventional loans to be made in amounts equal to 75% or 80% of current construction costs. Neither is it the time to talk of reducing down payments on Government guaranteed and insured loans, although this action has been taken recently by F. H. A. The time to talk of such actions, in my opinion, is when there is an excess of funds available for investment over the supply of available investments and not when the reverse is true.

Prior to Sept. 20, the only market available for F.H.A. loans with the minimum down payment of 7% was at prices substantially below par. On Sept. 20, however, the minimum down payment requirement was reduced to 5%. The logic of that move at this time seems questionable, to say the least. Certainly loans with a smaller down payment will not prove to be more attractive to investors.

### Life Insurance and Warehousing

Life insurance companies have supplied a very large portion of the funds that have been required to make the United States the greatest nation of homeowners the world has ever known and to finance the development of an economy that has brought a better way of life to millions of people. I do not think we are being too presumptuous in taking some credit for the part we have played in these programs. In our eagerness to secure investments, however, we may have to some extent at least, encouraged construction and expansion programs that cannot be financed over a considerable period of time without resorting to inflationary measures. I am afraid that some of us have allowed our forward commitments to get out of hand to the extent that bank loans for "warehousing" purposes are being required for amounts and periods of time that may cause a further strain on the banking resources of the country.

This is not a plea for the banks. Construction loans and "warehouse" loans have been sources of very profitable business to the banks, and bankers should not complain about carrying their share of the load in these fields at the present time. On the other hand, however, I do not feel that we should place ourselves in the position of asking banks to pull our chestnuts out of the fire.

### Portfolio Commitment Choices

It is admittedly difficult to operate a mortgage program on a large scale without either causing too many loans to be submitted for closing at a particular time, or causing funds to remain idle awaiting closing of loans for which commitments have been issued. Financial officers are paid to solve such problems, however, and it seems we should be able to do so without finding ourselves "locked in" with commitments we cannot reasonably expect to close for a period of more than one year.

Until comparatively recently, life companies had two choices: (1) They could invest a very substantial portion of their funds in mortgages, or (2) They could suffer a gradually reducing rate of return on their investment portfolios. The situation was somewhat comparable to an experience I had in the Navy during World War II. During the early part of my service I was assigned to the Office of Naval Officer Procurement in the Eighth Naval District, and made some trips to recruit college students in the Navy's officer training program. At one time another officer, who happened to be a rugged Texan, and I were sent to one of the large Texas universities to talk with the students about enlisting in the Navy program. Army Air Corps and Marine procurement officers were also there and they really put on a show. The Air Corps band played "Wild Blue Yonder," the Marine band played the Marine Corps song, and the officers extolled the virtues of their respective services. When the Navy's time on the program finally arrived, my associate arose and said, "All of you guys who prefer death by drowning meet me in room 240 after the meeting adjourns." Incidentally, we signed up most of the boys.

### Attractive Features of Mortgages

Today we can pick and choose our investments, and all types provide very satisfactory interest returns. In this buyer's market, however, we should not overlook the fact that mortgages still offer very attractive features to investors. Some of the features are as follows:

(1) When properly made, both conventional loans and Government guaranteed and insured loans provide a high degree of safety of principal.

(2) Loans made on regular amortization plans provide increasing equities in the security properties and also provide a steady source of funds for reinvestment purposes.

(3) Prepayment provisions of conventional loans can be controlled by the investor.

(4) Mortgage loans possess a reasonable degree of marketability under normal conditions.

### Improved FHA Insurance Features

Many of us have fought for years to secure improvements in the insurance features of F.H.A. loans and some results have been accomplished. In reappraising mortgage loans as investments for life companies, it might be well to consider the following changes in the insurance provisions of F.H.A. Section 203 loans, all of which are beneficial from the standpoint of the investor:

(1) The interest rate on debentures received in event of foreclosure is now determined by the average effective yield at which long-term Treasury bonds are selling at the time the loan is insured. The debentures have a maturity of 20 years.

(2) A more realistic foreclosure expense allowance is provided for loans now being insured.

(3) "Waste charges" are limited to a maximum of $100 per housing unit in connection with loans now being insured.

(4) Certain Certificates of Claim issued by F.H.A. to cover any losses to the investor not covered by debentures have a greater potential value under provisions of the current National Housing Act.

### FHA-VA Weaknesses

The principal remaining weakness in F.H.A. and V.A. loans is the lack of a provision for a flexible interest rate that can be adjusted to meet changing conditions in the general money market. By fixing the maximum interest rate allowed under laws and regulations at 4½% the way has been opened for the evils of the discount system. It is inconceivable to me that the question of flexible interest rates for F.H.A. and V.A. loans requires any further discussion in view of the chaos that exists in the market for these loans at the present time.

I have consistently maintained that there is no legitimate need for the operation of two huge and separate agencies for the administration of government guaranteed and insured loan programs. I have been very much interested, therefore, in recent proposals made in Congress that the activities of the V.A. loan program be merged with F.H.A. I only hope that something can be accomplished in this field within the near future, and that taxpayers will be saved the unnecessary expense of operating both agencies.

I am sure that during coming weeks, and particularly between now and Nov. 6, we will hear expressed and implied threats that unless private investors furnish mortgage funds in amounts necessary to keep the construction industry operating at a high level of activity the Federal Government must and will enter into a large scale direct lending program. I dislike threats, and I do not believe institutional investors can or should do business with a pistol at their heads, particularly when the investment of trust funds owned by others is concerned. I very sincerely feel, however, that we must bear our share of the responsibility in attempting to solve the problems caused by the current shortage of mortgage money.

### Investment Share Today

As of July 31, 1956, 49 United States life companies representing 86% of total assets of all U. S. companies owned mortgages equal to 32.4% of assets. I think this percentage could be considerably higher, particularly when the rather rapid required amortization provisions are considered. Many companies must necessarily curtail their mortgage purchases for the time being, and some companies may be required to temporarily pull out of the market entirely, but a reasonable "breathing spell" will cure this condition. By continuing to purchase mortgages within the limits of sound investment judgment we can make a contribution to the general economy of the country and make excellent investments at the same time.

I think we should vigorously resist any temptation to take undue advantage of the "tight money" situation that exists today. Any efforts to purchase government guaranteed and insured loans at extreme discounts or to make conventional loans at very high rates, and under severe terms and conditions, will be a very definite mistake. Such practices will only serve to create an unfavorable public opinion in the future.

### Federal Reserve Policy Approved

I, for one, have no quarrel with the present restrictive policies of the Federal Reserve Board. In a period of tremendous expansion of business activity and the attendant demand for capital funds, we must have either "tight money" or "loose inflation," and no person with any knowledge of histo[ry] or economics would suggest th[e] latter course. I think that eve[ryone] concerned with the gener[al] welfare of our country owes [a] debt of gratitude to the Feder[al] Reserve Board. The Chairma[n] and members of the Board hav[e] proved their wisdom and integ[rity] in these trying times.

Contrary to statements of poli[ticians] the Federal Reserve Boa[rd] has not made money "tight," bu[t] the old economic law of suppl[y] and demand has caused this co[n]dition to exist. The simple fac[t] is that the demand for funds, no[t] only for housing but for the great[est] peacetime capital expansio[n] in history, has far exceeded th[e] savings of the country. The Fed[eral] Reserve Board has simply re[fused] to take the easy and polit[i]cally expedient way out of th[e] situation by making credit easie[r] through the expansion of avai[l]able bank credit.

### Sees No Interest Rate Reduction

Unless and until there is som[e] downward trend in general bus[i]ness activity I can foresee no de[crease] in the demand for loan[s] and consequently can foresee n[o] reduction in interest rates withi[n] the near future. Nevertheless, [I] do not believe that money wi[ll] become unavailable to borrower[s] seeking loans for productive pur[poses]. Additional savings can b[e] created and attracted to invest[ment] markets through attractiv[e] interest rates and terms of mor[t]gages and other forms of invest[ments].

Looking at the picture from th[e] standpoint of the institutional in[vestor] I think we will make [a] mistake if we assume that th[e] business cycle theory is a "dea[d] duck" and that we can and wi[ll] continue indefinitely to do busi[ness] under boom-time condition[s]. I, therefore, strongly suspect tha[t] we will be happy in the futur[e] with mortgage loans made at rate[s] and terms available today.

### Conclusion

In conclusion I would like t[o] attempt to summarize my view[s] of the mortgage picture today:

(1) The tremendous increase i[n] mortgage holdings of life compa[nies] is ample proof of the willing[ness] on the part of the companie[s] to purchase real estate mortgag[es] loans to the fullest extent of thei[r] financial capacities.

(2) The demand for mortgag[e] funds is greater today than th[e] available supply of funds. Thi[s] situation has been caused by th[e] tremendous housing program o[f] the past ten years coupled wit[h] the huge expansion of the genera[l] economy.

(3) The Federal Reserve Boar[d] has not brought about the "tight" money situation. The Board ha[s] simply refused to resort to "easy" money policies.

(4) The limited availability o[f] mortgage funds will probabl[y] cause some reduction in hom[e] construction for the remainder o[f] this year and next year. This nec[essary] "breathing spell" may b[e] healthy for the building industr[y] and the general economy in th[e] long run.

(5) It is not considered possibl[e] to correct the "tight" money situ[ation] quickly without resorting t[o] inflationary measures which wi[ll] prove to be disastrous.

(6) The logical answer to th[e] problem lies in making every ef[fort] to cause an increase in th[e] rate of savings of the country. Reasonable rates and terms o[f] mortgage loans will serve to caus[e] an increase in savings and to at[tract] a substantial portion of th[e] increase to mortgages. The firs[t] step in this direction should be t[o] remove the inflexibility of inter[est] rates of government guaran[teed] and insured loans.

(7) Mortgage loans made a[t] rates and terms available toda[y] will prove to be very satisfactor[y] investments for life companies.

*An address by Mr. Brooks before the American Life Convention, Chicago, Oct. 12, 1956.

# orporate Socialism Threatens To Eliminate Small Firms

By T. M. EVANS*

President, H. K. Porter Company, Inc.

**Industrialist charges small business financing problem must be met to preserve free enterprise economy and forestall private corporate socialism in next five to 10 years. Rejecting the government's concept of a small business, Mr. Evans asserts our government has not given problem proper consideration, and offers following program to offset purported reluctant equity flow to small firms: (1) restore 20% certification of amortization; (2) apply new tax depreciation to second-hand machinery; and extend government subsidized research to small companies; and (3) lower graduated income tax. Asks whether anyone believes anti-trust laws work to benefit of average small business, and suggests both parties extend their acceptance of the principle of aiding average or small farmer to the smaller businesses.**

I have felt for a long time that ne of the quickest ways to Soalism will be through business ecoming too big, hence my use f the term orporate soialism." hen in any ne field you ave one big usiness and ne big union, nd the repreentatives of erely two rganizations an sit down t a table and ettle the fate f hundreds f thousands f employees nd the future of their families, nd can determine prices that all us will pay for important prodts, you have a situation which extremely dangerous. One way combat this is by helping to rengthen smaller businesses.

T. M. Evans

### isputes Government's Definition

As far as small business is conerned, there are many proms, but one of the most imporant is financing. By "smaller usinesses," incidentally, I do not ean the standard government assification of those earning less an $25,000 a year, which I think ou will all agree in this economy a ridiculous figure—I mean, inead, businesses having less than 5 million a year in sales, and arning, let's say, less than $2½ illion a year before provision r income taxes.

In considering financing, parcularly today with the tighteng of money, it presents more of problem for smaller businesses han at any time during the years have been in business. While it naturally a problem confrontg our company and probably very company in the country, orter is gradually leaving the assification of smaller business nd getting into the medium-sized ass for which financing is somehat easier. It is still not as easy for the very large corporations hich have access to new capital om Pension Trusts, Mutual unds, etc. Perhaps this classifiation may sound arbitrary, but e are surely not large when you onsider that the very largest rporations in this country have les of approximately $4 billion, about 25 times our size.

### conomy Ceases Without Small Business

It seems to me the government as not given proper consideration the financing problems of maller business. I think that if ur economic system is to conue, we must have smaller busiess developing—otherwise, comtition will be eliminated in the ext five to 10 years, and we will end up with one or possibly two large companies in each of the major fields. We have seen this pattern develop very rapidly in the automotive industry in the last few years.

It also seems to me that in a system of government such as we have today, which is complicated and contains many restrictions, we cannot look back at the old days of the complete freedom that existed before the turn of the century. In those days there were no income taxes, wage and hour laws, SEC, anti-trust, and the many other government controls that we are all too well acquainted with. We recognize that wage and hours, Social Security, and graduated individual income taxes are a form of helping people take care of themselves who are less able to do so than others. Regardless of political party, I think we all recognize that such measures are here to stay.

### Both Political Parties Agree On Aid

The same concern and desire to help has been applied to farmers, who are actually capitalists operating their own businesses. At least, both political parties this fall have expressed concern over the plight of the farmers—although it may be that the election has brought out that concern. Both parties have had price supports, soil banks, etc., to take care of the farmer, or at least to help them take care of their businesses. However, that doesn't mean that some farmers are not extremely prosperous—those with fine land, excellent equipment, successful management. I can think, for example, and perhaps it is an extreme example, of one that can be considered: the King Ranch, in Texas, of which we have all heard. It covers many thousands of acres and, in fact, has the finest herds of cattle, oil wells, adequate capital and equipment. Certainly nobody thinks they need help.

### Extend Same Principle to Small Business

However, both political parties realize that the average or small farmer does need help. Therefore, it seems to me that this same principle should apply in some manner to the smaller businesses. The free enterprise system is largely based on the small businessman, who is gradually being forced out of business by the giant corporations, and by some of the unfair advantages which these corporations have under our present economy. For example, does anyone really believe that the anti-trust laws today work to the benefit of the average small business?

An automobile company can capture 55-60% of the automobile market and make competition practically impossible for the smaller companies. On the other hand, the government tries to break up a proposed merger between two steel companies or two container companies where neither is basically in competition at present, and with the proposed combination controlling less than 25% of the market, on the grounds the companies would be too big. In other words, it is my feeling that definite rules or controls should be set down, just like the rules of conduct in a football game, and that it should not be left to lawyers and courts, which are entirely too slow and have been largely without effect during recent years.

As a businessman I think we should consider ways to correct this. It should not be left entirely to politicians who, in many cases, do not understand business and its problems. Some effective form of control or regulation of size of business is needed, and we should try to get the best possible method which would put the least restriction and difficulties in the way of operation of the average business. Here are some steps I think the government should take.

### Wants 20% Amortization Certificates

First, correct the error of eliminating the 20% certificates of amortization for smaller companies. These certificates made it possible to depreciate new facilities in five years, and, naturally, if the facilities lasted longer than the five years, business would have increased earnings during the second five years, and over the years would have made no reduction in the government's revenue. By continuing the certificates it would make financing more feasible for smaller companies which do not have ready access, for instance, to long-term insurance money. The big insurance companies are not in a position to supervise a lot of small industrial loans, and many of the smaller companies do not know their way to the main offices of these insurance concerns in the larger cities. Small companies going to commercial banks are limited to short-term five-year loans, for the most part.

The very large and giant corporations can still borrow from $10 to $100, or more, millions, merely at higher interest rates. Large, nationally-known concerns can also sell additional stock. One of the principal reasons they can, in spite of the present tight money market, is the fact that in this day and age where individuals are taxed at such high rates, the principal capital for investments comes from pension trusts, trust companies, and mutual funds, all of which are professional managers handling other people's money. Naturally, they cannot risk buying some small unknown security with other people's money so they must stay with the well-known stocks, or "blue chips." Thus, the logical market for equity money is not open to smaller companies. I think all investment people, on consideration, would agree that this is true. But no one has taken any steps to try to help smaller business secure a way to raise capital. You will agree that tight money is not a particular problem for large companies. That is why the 20% certificates are more necessary now than ever before for the smaller companies.

### Extend Depreciation to Second-hand Machinery

The second aid the government should afford small business is to allow the new depreciation methods in the 1954 tax law to be applied to secondhand machinery as well as to new. The large corporations can usually afford to buy new machinery, but often smaller ones cannot, and why should they be denied the benefits of the sum of the digits depreciation which is only applicable to new equipment? The cash flow from depreciation can be much more effective in a very large corporation than in a small one, particularly one operating in only one field. The larger corporations have another advantage: the large amounts of money spent on research, much of it at the government's expense. The very largest corporation's earnings are more stabilized by operating various divisions as compared with a company operating in one field. Therefore, a large corporation can appropriate a definite amount of percentage of sales for research and in some of the very largest this runs as much as 6% of sales. However, in this economy we must remember the money spent on research is paid for 52% by the government because it is deductible for income tax purposes. In other words, the larger a corporation is today the more the government-subsidized research it has.

When you add to this the fact that the very large corporations are doing most of the defense business and in many cases it runs 10-15% of their sales, and some even more, the profits from this defense business are, of course, provided by the government. It could well be argued that where a large company uses 6% of its sales for research, on account of defense business, a good portion of that is completely subsidized by the government. I don't mean to argue that research should not be undertaken, since everyone derives benefit from it, but that the smaller companies do not have as much government-subsidized research—and that is just one more reason why we must think of some way to help the smaller businesses.

### Lower Graduated Small Business Tax

That brings us to the third, and a most important, aid to smaller business, and probably the most practical and effective. A graduated corporate income tax to ease the burden on smaller business, just as we eased the burden on individuals in the lower income tax brackets. This would also tend to limit the growth of the very largest corporations.

Under the present Federal Income Tax Law, businesses earning more than $25,000 a year are all taxed at the rate of 52%. The government recognized a lower rate, but at such a negligible amount in today's economy that it is meaningless. Recently the Cabinet Committee on small business recommended a reduction in tax from 30% to 20% on companies earning less than $25,000, before taxes. This is a ridiculously small amount for a manufacturing business in the present economy. In my opinion, companies doing something in the neighborhood of $25 million a year, and presumably earning less than $2½ million, should be taxed at a lower rate than the very large corporations. The methods or steps are something that Congress and businessmen should work out. It shouldn't be too difficult.

I personally think that all income taxes, including corporate taxes are too high at present, and the first step in reduction should be for the smaller companies. Naturally if it was desired to continue the same government revenue, a graduated corporate income tax would require increased rates on the largest corporations. But our government has recognized the principle that "those individuals earning the most money are best able to pay" as applying to individuals—so why should it not apply to corporations?

*From an address by Mr. Evans before the American Management Association, New York City, Oct. 31, 1956.

# Roy A. Pitt Joins A. C. Allyn & Co.

CHICAGO, Ill.—Roy A. Pitt, Jr., is now associated with the municipal bond department of A. C. Allyn and Company, Incorporated, 122 South La Salle Street. Mr. Pitt previously was with Scherck, Richter Company, St. Louis, and earlier with Goldman, Sachs & Company for eight years.

LETTER TO THE EDITOR:

# Views Elliott Bell's Proposal As Threat to Federal Reserve

**Economist Brown's letter concludes proposal made by editor and publisher Bell to the ABA regarding creation of National Economic Council would end Federal Reserve independence, and greatly alter our present economic system—particularly private banking's role in the economy. Writer sees no gain in emulating Western European practices and denies "we are on the wrong foot."**

*Editor, Commercial and Financial Chronicle:*

I wonder how many concerned readers or listeners of Mr. Elliott V. Bell's speech before the American Bankers Association Convention, published in the *Chronicle* Nov. 1, paid more than casual interest to the curious, ambivalent stand advanced to the banking community for its consideration. In that address Mr. Bell incongruently denied suggesting any lessening of the Fed's independence, and then went on to propose the establishment of a supra national council, comprising top Administration economic heads and the Chairman of the Federal Reserve, to carry out coordinated national economic policies. This should encourage a full larder of searchful thought during these oncoming long winter nights.

One looks in vain for any praise, in Mr. Bell's remarks, of the Fed's most recent rediscount action, foretelling the direction of the 1956 economy, over the formidable opposition of the Secretary of the Treasury Humphrey, Under Secretary Burgess, Economic Council head Burns, Economic Administrative Assistant Hauge and other top policy makers in the Administration. One might justifiably speculate what might have been the course of the economy today if the Fed had been in the proposed Council. Nor, for that matter, does Mr. Bell roam through the rich field of past incorrect Federal Reserve predictions and policy decisions; or, analyze the weapons at the disposal of the Treasury to offset Federal Reserve actions, in order to present a more reasonable case for his proposal.

Instead, one is assured that despite the supra-economic council, the Federal Reserve would retain complete independence within its sphere and, yet, would not be in a position to pursue policies contradictory to that set by the Administration. This, in my opinion, is an interesting anomaly, for, with one hand, it presents a superficially acceptable resolvable solution, and, with the other hand, informs the Fed's Chairman, he can no longer do anything at all of any significance without the approval of the Administration.

In fact Mr. Bell reveals the issue honestly later on in his remarks, when he more candidly, though not quite accurately, states that either the Treasury must dominate the Fed, or the Fed must dominate the Treasury. The remarks made to the bankers indicate Mr. Bell obviously desires the former. Thus, if true, one should conclude that the semantics involved presage a bloodless, spineless new meaning to be now applied whenever "independent" is used in reference to the Federal Reserve.

In view of the foregoing I should like to make these observations:

(1) How familiar is Mr. Bell's understanding of the totally dissimilar functions of the Federal Reserve and the Treasury? For is it not conceivable that such a council in the face of an election during a hyper-inflationary period would be more apt to think of losing crucial votes than to act like the expert doctor who more likely would be expected to prescribe, if need be, distasteful sound medicine?

(2) Noting that all European countries have abandoned an independent central bank, Mr. Bell asserts we are on the wrong foot. Is it not proper, instead, to use the methods of scientific methodology to determine who is out of step and, thus ascertain which performs better, before making a conclusion? If this is the case, then may one ask whether the Europeans have licked the problem of chronic inflation, and other business cycle phenomena, and have, at the same time, more efficient production in relatively comparable situations?

(3) If the problem, presented in the address, is concern for unified action in meeting business cycle changes, then would it not be advisable to propose to the Administration that it first clean house before casting glances at what the Fed might do to upset the Administration's apple cart? Actually, though, to logically prevent executive and/or legislative contradictory policies, Mr. Bell ought to recommend altering our Constitution so that the Executive can dominate the Legislative on all economic matters—an area of as much, if not more, actual and potential opportunity to offset Administration policy. And since the Federal Reserve is a quasi-independent creature of Congress, it would, at one blow, eliminate the problem of the central bank. (This is not to say that the Fed, under present membership appointment procedure is not reasonably subject, in somewhat the same manner as the Federal judiciary, to the public's will.)

(4) The consequences of Mr. Bell's prescription should not be difficult for bankers to fathom; particularly since the results of European central bank nationalization is spread out for us to see. Private bankers' judgment is apt to succumb to central dictation; and money, definitely, no longer could hope to represent itself as self-liquidating bills of credit or warehouse receipts but would become a medium of political fiscalism.

Last, but not least, it is quite likely that the nature of saving and capital formation would be altered much more than bankers would not approve.

Once the money, banking and credit sector is no longer kept separate from—but is made part of— fiscal activities, then it might be unable to defend itself by taking opposing action. I believe questions raised today to Mr. Burgess about lengthening and retirement of the debt, and to Mr. Martin about Federal debt and float monetization, would, as a result, become just as much an anachronism as questions raised about preservation of dual banking system, retention of permissible maximum banking control decentralization, and adoption of standby selective credit controls —from a private banking point of view. In short, I believe Mr. Bell is sounding a drastic change in banking's position in the economy and in economic growth. This, to me, is a proposal to take the longest step yet in the direction of a greatly altered economic system. The bankers should have recognized this in their convention-concluding resolutions.

Sincerely yours,
SIDNEY BROWN
Adjunct Assistant Professor of Economics
Pace College, New York City
Nov. 5, 1956

## Harris Chairman of Federal Hall Comm.

Henry U. Harris, senior partner of Harris, Upham & Co., 120 Broadway, New York, nationwide investment brokerage firm with 50 offices coast to coast and members of the New Stock Exchange, and Vice - Chairman of Federal Hall Memorial Associates, Inc., has been elected Chairman of that organization's executive committee according to an announcement Nov. 1.

Henry U. Harris

## Roche Market Analyst For E. F. Hutton & Co.

E. F. Hutton & Company, 61 Broadway, New York City, members of the New York Stock Exchange, has announced that John F. Roche has joined the firm's Investment Research Department. He will serve as a stock market analyst and will write a daily market digest and interpretation for the firm's private wire system and for radio programs sponsored by E. F. Hutton & Company.

## With Wertheim Co.

Wertheim & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announced today that Stanley J. Spodaryk is now associated with the firm in the Municipal Bond Department.

## Frank E. Bolin Joins A. C. Allyn & Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Frank E. Bolin, Jr. has become associated with A. C. Allyn & Company Incorporated, 1016 Baltimore Avenue. He was formerly in the trading department of the local office of Harris, Upham & Co.

## J. G. Kinnard Adds

MINNEAPOLIS, Minn. — Gusta C. Naas has been added to the staff of John G. Kinnard & Co., 133 South Seventh Street.

## R. S. Fish Opens

(Special to THE FINANCIAL CHRONICLE)

MOUNTAIN VIEW, Calif. — Robert S. Fish is conducting a securities business from offices at 1675 Springer Road.

## C. D. Crabtree Co. Opens

SAN ANTONIO, Texas — C. D. Crabtree is engaging in a securities business from offices at 1819 Bandera Road under the firm name of C. D. Crabtree & Co.

## B. Ray Robbins Opens

Beatrice Ray Robbins is engaging in a securities business from offices at 501 Fifth Avenue, New York City, under the firm name of B. Ray Robbins Company.

## New du Pont Branch

OAKLAND, Calif. — Francis I. du Pont & Co. has opened a branch office at 416 Fifteenth St. under the management of Charles N. Alexander.

# Pension Trust Possibilities As Mortgage Money Source

By ESMOND B. GARDNER*

Vice-President, The Chase Manhattan Bank

**Noting pension trust annual contributions have more than trebled in past decade and significant areas still are to be covered, Chase Manhattan executive finds basic pension fund's characteristics are adaptable to mortgage investments. On the assumption that half of present pension funds' composition were to comprise 20% mortgages, postulates an excess of $1½ billion accumulated and $200 million annually would be available as a source for mortgages, compared to less than 1%, or $150 million now in such investments. Mr. Gardner attributes this gap to non competitive interest return and added costs involved, and problem of "doing business" in non-domiciled states. Concludes these funds could become a continuing supply source if these two problems were solved.**

While the title is "Pension Trust: Potential Source of Mortgage Money," the subject has been approached as though the title had been "Mortgages—Potential Source for Investment of Pension Funds." The term "mortgage" is used in a broad sense and for the sake of brevity is intended throughout to include lease-back arrangements. The investment of a pension trust fund is different from that of any other type of trust or fund. Its basic characteristics are (1) that it is a permanent fund and therefore should be invested primarily from a long-range viewpoint; (2) that there is no distinction between principal and income, as there is in an estate or personal trust, because the entire fund is dedicated to the purpose of paying benefits and therefore each beneficiary has the same rights in both principal and income; (3) that new moneys are received periodically, at least annually, in the form of contributions from the employer and also from the employees if the pension plan is contributory; (4) that there is no real need for liquidity (that is the power to convert investments into cash for at least a major portion of the fund), as the contributions each year to the fund will exceed the outgo for many years after inception and when the theoretical point of full funding is reached, the contributions plus the income from investments will equal the outgo; and (5) that a pension trust is not subject to income taxes either on income or on realized capital gains.

Esmond B. Gardner

### Typical Trust Distribution

Most professional trustees seem to believe that such a trust should have a diversified portfolio of investments. A typical distribution at this time might be 60-65% in fixed income investments—10-15% in preferred stocks and 25-35% in common stocks. The fixed income portion might well include some mortgage investments. It is reported that the mortgage holdings of life insurance companies have ranged from 15% to 40% of assets in recent years and, at present, amount to slightly over 32%. Some thinking on this point indicates that a reasonable portion of a pension trust for mortgage investments might be 15% to 25% of the total assets and this would be about 25% to 40% of the fixed income portion of the portfolio.

Potentially, this could mean substantial amounts of money. It is estimated that over $15 billion are now held in pension trusts and that the annual contributions presently exceed $2 billion. These figures reflect only the funds of pension trusts created by employers, or by unions for their own employees and not for their members, or by both under collective bargaining agreements. They do not include funds paid to life insurance companies, the funds of Federal, State or local government pension plans, or funds paid in to welfare plans which provide health, accident, or death benefits. Incidentally, the annual contributions to pension trusts have more than trebled in the last 10 years and there is good reason to believe that growth will continue even though not at the same high rate. At the present time, there are about 18 million union members and it is believed that about one-half are not covered by funded pension plans. It is also probable that the percentage of non-union employees who are not covered is even larger.

### What Pension Funds Could Reasonably Furnish

It would obviously be an exaggeration to apply the 15%-25% to the $15 billion presently accumulated and the $2 billion of annual contributions. Some pension trusts will not be interested in mortgage investments because of the small size of the trust, the personalities involved, the nature of the employers' business or other factors including the identity, experience and location of the trustee. Some trustees are experienced in and have the facilities for the selection and servicing of mortgages, while others do not. However, if even 50% of the present funds were to utilize mortgage investments to the extent of 20%, the investment would be in excess of $1½ billion of the accumulated funds plus an additional $200 million annually in the future. In contrast to these figures, it is estimated that less than 1% of the assets of pension trusts or $150 million, are presently represented by mortgage investments.

### Obstacles to Mortgage Purchases

There must be reasons for this situation but legal limitation on trustees' investment is not one of them. There need be no restriction as a matter of law on the types of investments so the selection is a matter solely for the parties involved. The first important reason is that the net interest return has not always been competitive with other forms of investment. It must be emphasized that the ability to sell an investment promptly, without being subjected to heavy expense, is part of the reason why the mortgage interest rate should exceed the comparative rate on corporate bonds. There is good reason for a pension fund to seek the highest net yield consistent with reasonable safety, as an increase in yield either will result in a substantial

Continued on page 33

*An address by Mr. Gardner before the 43rd Annual Convention of Mortgage Bankers Association of America, Chicago, Oct. 9, 1956.

# Career Opportunities in the Securities Business Discussed

**Group of the younger men connected with Wall Street investment banking firms, in pointing up opportunities for successful careers in the securities industry, describe functions and responsibilities in each of the five departments of the business in which they are now or were previously engaged: Research; Buying; Municipal; Sales, and Syndicate. Panel moderated by Robert F. Seebeck, President of the Investment Association of New York.**

A feature of the Sixth Annual Forum on Finance, held at the American Stock Exchange in New York City, was a meeting devoted to a discussion of the opportunities open to young men for successful careers in the securities and brokerage industry. By way of illustrating the point, a group of the younger men in Wall Street described the functions of the specific departments with which they are intimately familiar. The Panel was moderated by Robert F. Seebeck, of Smith, Barney & Co., who is President of the Investment Association of New York. Participants included David Lynch, **Research Department**, Kidder, Peabody & Co.; Nelson Schaenen, Jr., **Buying Department**, Dillon, Read & Co.; Peter Philip, **Municipal Department**, W. H. Morton & Co.; Lee Prather Stack, Jr., **Sales Department**, R. S. Dickson & Co., and Robert Baldwin, **Syndicate Department**, Morgan Stanley & Co.

*Below we give the text of the espective talks:*

**By ROBERT F. SEEBECK**

**Smith, Barney & Co., N. Y. City**
**resident, Investment Association Of New York**

Each of the five people on this anel is going to tell you about ne opportunities that he feels xist in his end of the business. ne person is n research, ne is in the uying department of is firm, one n the municipal department, one in les, and one n syndicate. s each of nese people lks to you am sure you e going to otice that he enthusiastic bout his subject.


Robert F. Seebeck

We are not trying to sell our business to you, or anybody else, as a career, and e can't relate the progress that person could make in our business to what he might do, perhaps, in industry, but we do all us believe strongly in the future of our business just as we elieve in the future of the country, since we believe there are so any links between the two.

We believe our business is very ital since it serves to bring together the demands for funds by usiness and government with the upply of funds, largely concentrated by millions of small savers n commercial and savings banks, r example, life insurance companies, and other funds; and nally we believe that this business needs young men to build nd sustain it in anticipation of ne great demands that we think ill be placed on it in future ears.

Before starting with the individual panelists, I would like to ive you a very brief background f the salary picture in our business, which I think will be of interest to you. In 1947, in 1951, and gain in 1954, the Investment Association of New York conducted poll, which was completed nonymously, of its membership determine among other things —many things were asked, but of ost interest to us this morning ere three things. We asked the urrent salary that was being received by the people who answered the poll; secondly we sked what they anticipated that ney would be earning in three, four, five years; and finally what they anticipated that they would be earning in 10 years.

The results of the 1947 study showed that the average income for that year was $2,921. The expected average income in 1950 was $6,673, and the expected average income in 1960 was $16,732. Of 58 answers 40 people expected to remain in the business, 12 were undecided about staying in the business, and six people had decided that they would leave at the time the poll was completed.

The 1951 study, in which only six were undecided about remaining in the business and only three said they were going to leave—was broken down into three age groups: from 25 to 28 years; from 29 to 32 years; and from 33 to 35 years. The first group were then earning an average of about $4,500 as compared with $2,900 in 1947. The middle group was then earning $7,200, and the last group were earning $9,000. The over-all anticipated income in five years, which would have been this year, 1956, was $15,060.

Now, we can get more direct here, because the 1954 study also broke down the replies into the same three age groups. The youngest group, that is the 25 to 28-year-old group, in 1954 were then averaging $5,500 a year; in 1951 they had been making, as we said before, $4,500. They expected to earn $13,000 in five years, and almost $22,000 after being in the business for 10 years. The middle group, the 29 to 32-year-olds, were averaging in 1954 $8,900 a year compared to the $7,200 that their age group were receiving in 1951. These people hoped to make $21,000 after five more years in the business and almost $30,000 within 10 years. The oldest group, those from 33 to 35 years of age were earning on an average $11,500 in 1954 and they looked forward to making $21,000 in five more years and about $33,000 in 10 years. This group, the 33 to 35-year group, were earning $11,500 in '54; in '51 we said that they were earning $9,000.

In the last study, the one taken in 1954, some 200 replies were received and 97% of those answering expected to stay in the business indefinitely.

Now, there are very few things for which a speaker is more frowned on than giving statistics like this in a talk. The figures I gave you I don't think are so important in themselves. What seems to me important is the very clear and well-defined trend to first of all actually making more money as the years pass by, and secondly, looking forward to the future with much more confidence as each year passed and anticipating greater incomes over future years. You can furnish your own reasons for this confidence and you can draw your own conclusions, but I merely wish to comment that it suggests a very healthy climate for the future of our business.

With respect to this income situation, you will all probably want to know, or you will be interested in knowing, whether Wall Street has become any more "security conscious" as the country as a whole has been. Without discussing whether it is more desirable to be that way or not, the firms in the Street do offer such things as profit-sharing and pension plans, group life insurance, group health and accident insurance, pension plans and/or retirement systems. Also, as business conditions permit, and when business is good, we do have a system of paying bonuses to all employees, which also adds to the total over-all income.

We fully expect to take another poll of our membership to renew these figures that I have just gone over. When the new study is completed late this year or next year we will be glad to provide copies.

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**By DAVID LYNCH**

**Kidder, Peabody & Co., N. Y. City**

You are going to hear about certain career opportunities that exist in various departments within a typical investment banking or brokerage firm. To my way of thinking—and I am prejudiced—some of the greatest opportunities exist within the research department. Although no longer with our firm's Research Department, I feel that I will always be a research man. Part of my duties still call for a good deal of pure research.

I believe the 18th century was called the Age of Reason and I don't believe it would be too crass to call this, our own age, the Age of Research, among other things. As with our industrial companies, Wall Street also appears to be giving more and more emphasis to research. Up until a few years ago a research man, or a security analyst as he is known now, was called a statistician. The other day an associate was telling me a story about his experience in research when he first came to Wall Street. It seems that his wife was opening a charge account with one of the large department stores in town and in order to open the account she had to give her husband's position which she said was a statistician. Well, the manager looked in bewilderment and said, "Will you spell that?" She spelled it and the manager looked at it and said, "Well, what is it? I never heard of it."

That's not true today although it was true a few years ago. The security analyst today is recognized as one of the most important key figures on the team. It used to be that the research man, or the statistician, as he was called, would gather the facts from Moody's or Standard & Poor's and present them to the buying department or the syndicat department in order to assist in the flotation of new issues of securities. Today the research man is called upon to pass judgment on the value of securities at a given price, based upon his studies and analysis of not only balance sheet and income figures but also the management of these companies and the general economic conditions pertaining to the industry under study.

Changes take place in the securities business as well as in other industries. For example, over the past few years there has been a definite trend towards collective investing. That is, investing by institutions, pension funds, insurance companies, banks, and the like. These institutions are also becoming large buyers of common stock, as we all know. This trend was brought about, of course, by high taxes, and has made the institutional investor an important source of business for firms such as ours.

But what has this to do with research? Well, our studies have shown that by far the most effective way to create business, particularly from institutional investors, is by direct presentation of the idea by the man who knows it best. The institutional investor is a sophisticated investor. Most large institutions have their own research staff and the information has to be presented on a technical basis. Therefore the research man is becoming more and more of a salesman.

The potential of a security analyst working in the field of institutional and large individual accounts is tremendous today. Such research salesmen, if effective, rank high among the money-makers for themselves and their firm.

Now, I mention this new approach to selling because it is becoming more and more important in the distribution of securities. That is, in the underwriting end of the business. It is not uncommon for the security analyst today to travel extensively both at home and abroad, addressing various institutions, in order to assist in the distribution of new issues. This presents real opportunities for the analyst. There is no doubt about it.

Beyond this new approach to sales, a good security analyst has available to him first-hand information concerning the merits of many given securities and here in lies a very real opportunity, to my way of thinking, because he has an opportunity to put his own money to work if he believes in what he says—that is very important. Very often you will find the astute analyst putting his money to work, and he should be able to provide a very comfortable estate for himself over a period of years.

Today we are experiencing a period of high taxation on ordinary income, to say the least, and the only method of alleviating this to some degree in our economy, I believe, is to attempt to get as much of the capital gains tax in that picture as possible. We could go on on that, but I don't believe anybody comes down here to Wall Street—without the express idea of making money. And to my way of thinking the best method or approach to this goal is to understand how to put your own funds to work. In this respect I believe the research man is in the best position to accomplish this. Among other things the successful research man is often called upon to develop new business accounts because of his knowledge of certain industries in his field or specialty. This can be very rewarding.

Briefly, research is the very foundation of any business today, to my way of thinking, and the same holds true with the successful banker or broker. It seems to be common practice to raid the research department today. If a man is capable enough, knows his industry and knows his business, the firm might put him into the buying department, the underwriting, the syndicate, or even call upon him to open a new office. Of course, not all research men will become partners in charge of the research department, but many firms today believe so much in the importance of research that it is almost necessary to have a partner or an officer at the helm.

In summary, my advice to a young man thinking of making a career in the investment banking and brokerage business is to think seriously of research as a career, or at least to put in a few good years for the groundwork or roadwork, as we say. Also, all is not handed to the analyst. Research is hard work. It means thinking and working day and night. Some of the best ideas I ever got were conceived away from the office. On a train, playing bridge or no matter where you are, you are constantly thinking in terms of how to make money, how to present an idea and get it across.

I find it difficult to contain my enthusiasm for this profession—and it is a profession today. I believe there are three necessary ingredients to our work, and that is enthusiasm, optimism and conviction. The young man who can think for himself in conjunction with these ingredients, I believe can go far in this field and his opportunities are unlimited.

* * *

**By NELSON SCHAENEN, JR.**

**Dillon, Read & Co., Inc., N. Y. City**

I would like to discuss career opportunities in buying work by briefly outlining the type of work which one might expect to encounter if he went to work in the buying department of a major investment banking firm, and then why I think buying department work should be and is appealing, and finally, what I believe the career opportunities in this work are today.


Nelson Schaenen, Jr.

Work in my organization in buying can be divided basically into three categories. The first is where we are acting as the managing underwriter or agent for the company. The second is where we are a participant in a security issue managed by some other firm, and in the third category are a great number of unrelated but extremely interesting projects.

As a managing underwriter, we work with the company in helping them to arrive at a decision as to the proper type of security to issue, based on their projected cash flow statements, based on their expansion plans, based on their desire for capital structure simplification, or whatever their other requirements may be; and then reach a decision as to whether these securities will be sold publicly or placed privately and what the basic terms of the securities will be.

If the security is to be placed privately, we work with the company in developing a memorandum which describes their business and the terms of the security and go with them to the major private lending institutions, such as the insurance companies and pension funds, to discuss the private placement and negotiate with these institutions for them.

If the security is to be sold publicly, we work with the company in developing a registration statement along with company officials, company lawyers, our own lawyers, and independent certified public accountants, and usually this takes place at the company's main plant or office, wherever it may be. At that time we make a very thorough investigation of the company, for two reasons. First, we are interested in finding out the quality of the

*Continued on page 30*

# Public Utility Securities

By OWEN ELY

## Mississippi River Fuel Company

Mississippi River Fuel is one of the smaller pipeline systems, with annual revenues of over $55 million. Like most pipeline companies, it has enjoyed very rapid growth in revenues, which are now more than double those of 1951, and nearly six times those of 1945. Revenues for the first nine months of 1956 were nearly 20% over last year.

The company's major operation is a pipeline system extending from the gas fields in northern Louisiana and eastern Texas to the metropolitan St. Louis area including East St. Louis, Granite City and Alton, Illinois. The company sells gas to 50 industrial customers and to 14 utilities. Pipeline revenues are about equally divided between industrial and utility sales.

The population served by the company's utility customers is about 1,700,000, over 90% being in the St. Louis region. Laclede Gas Light Company in St. Louis accounts for one-third of mcf sales, the other utilities taking 12%. Gas in this area enjoys a very good competitive position compared with other fuels. Some of the principal industrial customers include Owens-Illinois Glass, Granite City Steel, Laclede Steel, Mississippi Lime, Pittsburgh Plate Glass, National Lead, Shell Oil, etc. Union Electric Power and Illinois Power also buy gas for boiler fuel.

The company has been diversifying in related fields, and about one-third of revenues will soon be from non-regulated business. A former subsidiary, Natural Gas & Oil, was merged with the parent company in 1954 and is now operated as a division. It explores for and produces gas, oil and condensate. Mississippi River Chemical Co., also now a division, in 1955 constructed a $15 million petro-chemical plant and produces nitrogen chemicals for use in agricultural fertilizers and industrial processes. Milwhite Mud Sales Company and Mobar Corporation are recently acquired subsidiaries. Milwhite sells, and services the use of weight materials, chemicals and other products needed in the drilling of oil and gas wells. Mobar's principal business is the mining and processing of the mineral barite, an ingredient of the weight materials.

The new divisions and subsidiaries are reported doing well. Natural Gas & Oil, which started about six years ago with some $20 million plant, is considered by the management now to be worth in the neighborhood of $60 million based on value of reserves, etc. It currently has about nine rigs operating in its exploration and development program which is principally in the marshlands and shallow coastal waters of the Louisiana Gulf Coast. The company has in operation a large self-contained drilling barge and a second one is expected to be completed by mid-1957. Last year the Natural Gas division spent nearly $5 million for leaseholds, exploration and development; this year it had planned to spend $11 million but will be unable to use the whole amount due to suspension of off-shore drilling resulting from the dispute between the Federal Government and the State of Louisiana.

The Mississippi River Chemical division, due to its geographical location near the corn belt, should enjoy a considerable advantage over Gulf Coast producers with respect to shipping costs. The price structure of nitrogen weakened in July but improvement is expected in January. The division is enjoying unexpected off-season sales and the management is optimistic regarding their ability to sell the full production of the new plant. The plant cost about $15 million and is expected to gross about $8 million and net about $1.5 million after charges. Further expansion in the field of petro-chemicals is under study.

The Milwhite and Mobar plants are being modernized and expanded, with operations integrated. Milwhite has some 87 warehouses and stock points in Louisiana and Texas and 28 in the Rocky Mountain area and Canada. Together the two companies are the third largest suppliers of drilling materials and chemicals, following National Lead and Dresser. Mobar has been in the business a long time and has valuable leases. It has opened a new mine in Mexico and is also extending its mining activities to Georgia and Tennessee; it has started importing mineral from Cuba and has opened a new processing plant in New Orleans. President Marbury of Mississippi River Fuel expects the Mobar-Milwhite division to have sales of $15 million by next year leaving about 1.5 million net after charges.

The System's gas supply seems ample, while United Gas continues to be the chief supplier, the company is using more and more of its own gas; in fact surplus gas is being sold to other pipelines currently. The pipeline system had a gain of 12% in revenues in the nine months ended Sept. 30. Definitive plans to expand the pipeline system are being prepared, for a possible increase in capacity of about 10% by 1958. However, the company has no plans to build any major extensions or additional main lines, even if Laclede Gas' Storage project proves less successful than anticipated. The management regards cost prices under its purchase contracts as satisfactory—while some contracts have fixed escalators, original prices were low. They also think that the FPC will follow a realistic policy as to price regulation.

The company has a strong cash position and no public financing will be needed in the near future. Capitalization is simple, with 47% debt and 53% equity interest. Mr. Marbury will soon become Chairman, but will continue as chief executive officer. He is the largest individual stockholder. Glenn W. Clark, formerly President of Cities Service Gas Company, will soon become President.

Share earnings have shown an upward trend since 1953 and are estimated at $2.40 for this calendar year compared with $2.02 last year. Last year's earnings included a special profit of $1 million (presumably before taxes), resulting from a deal by which W. R. Stephens Investment Company acquired a controlling stock interest in Arkansas-Louisiana Gas Company, and another $1 million profit is anticipated.

Mississippi River Fuel has been selling recently around 33 and pays $1.40 to yield 4¼%. The price-earnings ratio, using the estimate of $2.40 for the calendar year 1956, would be 13.7.

# THE MARKET . . . AND YOU

By WALLACE STREETE

### The Election Aftermath

The stock market showed this week that the political pollsters have come back into favor, for their correct prediction of the election proved to have been well discounted in advance. In fact, the Eisenhower victory was the signal for some rather pronounced profit-taking in some key spots.

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Most studies of the market indicate that elections seldom have any lasting effect on the trends already underway. And they have no record of being able to reverse a trend in existence. Even in 1948, when all the election predictions came a grand cropper, the market wasn't overly concerned after the first brief reaction to the surprise.

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The reaction to this particular election was strikingly similar to that early in the year when the President, after a bit of seeming indecision, finally announced flatly that he would run for reelection. The actual news generated rather heavy volume with the buying and selling enough in balance so that the net effect was little price action despite the trading fanfare. Currently the various soft spots in the economy, plus those now struggling with an even greater cost squeeze, and the fact that many quality issues already have discounted good news for many months ahead, all combined to keep enthusiasm tempered.

### Post-Election Restraint

With the election out of the way, the consensus of opinion is still best described as restrained. Any yearend rally will be "moderate" although possibly boosting the industrial average to a new peak. Some of the more optimistic grant that there's an outside chance the index might reach 550.

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But for individual situations the performance of the average will be of little moment since there are groups heading either way with some persistence in recent sessions, which pattern won't be upset by external situations.

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One of the smaller groups — the cigar makers — have been showing decidedly better earnings with only one exception, DWG Cigar Corp. which faced unusual expenses in moving some of its operations. Even DWG, however, held relatively steady in the profit column.

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Among the better earnings was that of General Cigar which boosted net for the first three-quarters half again over last year's results and, according to some studies, should be able to push the full year result over the $5.50 mark. An even better series of figures is generally conceded to be ahead next year in contrast to other industries where the projections for next year are guarded.

### Stores Favored

Store stocks, both because the big trend toward suburban outlets and fatter profits and also in view of the depressed prices, continued in good favor. United Merchants, Allied Stores and Associated Dry Goods were among those in the 6% or better bracket at recent price levels.

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Like the store stocks, the food issues haven't yet participated in the bull market to any spectacular degree and had their share of followers for "reasonable value" at a time when the averages are still rather lofty.

### Foods Profit-Squeezed

Part of the reason for the lack of popularity has been the fact that food companies generally were in pretty much of a price squeeze, holding earnings relatively steady. Standard Brands, which acquired Clinton Foods earlier this year, is one that stands out on a good earnings improvement of 25% over last year for the first three-quarters. The improvement partly reflects the benefits of the merger starting to take hold. Company expectations are that next year with the full benefits of the merger a bid might be in the works to top the postwar record in profit reached in 1946.

### Rails Uninspired

Railroads continue prominent at the high-yielding side of the market but without inspiring any more than momentary takers. The experience in previous rounds of wage boosts has been that before the various lines could secure regulatory authority for increasing their own rates, profits statements assumed a dour tinge. And with a new round of wage increases spreading out currently, it is much the same old story and the rails were favored only by those looking for sheltered yields without any great capital appreciation element, a distinctly minority group. A few of the issues were dividend increase candidates, including Southern Pacific, Rock Island and Chesapeake & Ohio.

### Oils and the Middle East Crisis

Oils, especially the international companies, were swayed by the Middle East crisis. The purely domestic companies, consequently were the investment favorites with the speculators most prominent in the foreign companies. Some among the domestic producers, such as Ohio Oil, were still favored statistically since they had been left behind a bit in the recent oil popularity. Ohio for instance, has been available at a 5% yield and at a price around 11 times earnings where some of the other issues have commanded a price of from 15 to 20-times earnings and yields of around 2%.

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Sinclair Oil is another that has remained depressed against the group average, available at less than 10-times earnings at recent prices and offering a 5% yield. The company has been rather busy in new acquisitions and with new financing, which in part explains the weight on the issue.

### The Individualistic Metals

The various "rare" metals have been making important progress in winning a solid niche in the jet age but without sparking anything like the general enthusiasm that greeted nebulous uranium claims a while back. What play there was in National Lead or in Allegheny Ludlum seemed pretty much on individual merits and little influenced by their plans to build a titanium rolling mill for their jointly-owned subsidiary, Titanium Metals Corp.

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Similarly American Potash has had pretty much of a mundane market life although it is the second largest producer of boron and is solidly entrenched in the lithium business. Boron is a rocket fuel ingredient and lithium is important in atom bombs themselves. Moreover, both materials are slowly building up in industrial demand and, by some authorities, are seen on the threshold of proving of real profit help to their producers.

*[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.]*

## Fred D. Stone, Jr. to Head Marine Tr. Dept.

Francis A. Smith, President of the Marine Trust Company of Western New York, has announced the appointment of Fred D. Stone, Jr., as Vice-President in charge of the Municipal Securities Department of the bank. This appointment becomes effective Nov. 1 upon the retirement of Homer Browning, Vice-President, who for the past 27 years has been Manager of the Municipal Securities Department.

Fred D. Stone, Jr.

Mr. Smith further announced a new organizational program for that division of the bank. He said: "Mr. Stone as Vice-President in charge will continue to make his headquarters in our New York City office but will spend several days each month in Buffalo. Under his supervision, the Buffalo and New York offices will work as a unit with William W. Hibbard, Assistant Vice-President, New York, in charge of underwriting and distribution; Homer R. Berryman, Assistant Secretary, Buffalo, in charge of bond distribution in the Marine's Western New York area; Edward L. Brown, Assistant Secretary, Buffalo, in charge of the municipal consulting service throughout the State; Daniel P. Whitlock, Assistant Vice-President, New York, sales; and William J. Murray, Assistant Secretary, New York, research and sales promotion."

Mr. Stone, who joined the Marine Trust Company in 1948, was elected a Vice-President in 1949. He is completing his 29th year in the municipal business and has been active in organizations associated therewith, having served as President of the Municipal Forum, New York, 1953-54, and as a member of the Municipal Committee of the Investment Bankers Association.

Richard Parsons and George Thurlow will be associated with Mr. Brown in the municipal consulting service, working out of Buffalo; Joseph G. McCarthy, in New York, will be responsible for trading and dealer contacts; and William Taylor, Jr., Chief Clerk, Buffalo, will be in charge of operational functions for the department.

### E. L. Voneiff Opens

BETHESDA, Md.—Edgar L. Voneiff is engaging in a securities business from offices at 4513 Charlcote Road. He was formerly with Barrett Herrick & Co., Inc.

### With Continental Inv.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Joe Davis, Mrs. Minnie Enger, Melvin R. Hanson, Jesse L. Nelson, Hyman P. Silverman, W. Howard Weakly, and Louis G. Weissman have been added to the staff of Continental Investments, Inc., Equitable Building.

### Four With Hamilton

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Edgar J. Engelken, William A. Fremlin, Mrs. Dorothy E. LaCount and Emery E. Matthews are now with Hamilton Management Corporation, 445 Grant Street.

## NASD Members Alerted Against Boiler Shops

WASHINGTON, D. C.—The National Association of Securities Dealers, Inc. largest organization of brokers and dealers, is advising its offices throughout the country that the 3,700 members of the Association be alerted to the existence of an intensive, high-pressure telephone solicitation campaign to sell worthless securities. The campaign is being conducted across state lines by organizations whose activities and conduct in no way conform with legal or ethical standards of established securities organizations, the NASD notice said.

Wallace H. Fulton, Executive Director of NASD, said the Association wants to aid governmental authorities to eliminate such firms from the business. Investors who find themselves on the "sucker lists" of these operators can cooperate by reporting and identifying the sources of these telephone solicitations, Mr. Fulton said. In this connection, the NASD notice said:

"Any member, whose customers have had experience with this kind of high-pressure activity, or who may in the future, is asked to obtain as much information as possible on the identy of companies or individuals making solicitations in this manner. In this way, the proper regulatory authorities can be supplied with facts and proof about those engaging in this activity.

Mr. Fulton emphasized that the greatest protection to investors always rests upon their exercise of common sense in dealings with brokers unknown to them.

### Join Lackner Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Clarke F. Bennett, Edward D. Erickson, Jerry F. Kalavity, Jack Levy, William D. O'Neill and Mrs. Joette D. Rutledge are now with Lackner & Co., First National Bank Building.

### Columbia of Wyo. Office

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Columbia Securities Company, Inc. of Wyoming has opened an office in the C. A. Johnson Building.

### Securities Inc. Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Janice G. Allison, Alexander A. Ebel, Fred K. Klarner, Louis R. Lawrence, Bernard W. Lorance, Takeo Noda and Harold I. Salmon are now affiliated with Securities, Inc., Farmer's Union Building.

### With Investors Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Raymond E. Fornwald, William A. Hansen, Charles D. O'Malley and John J. Whitely have joined the staff of Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

# NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS


F. V. C. Hewett

The New York Agency of the **Canadian Bank of Commerce** announced on Nov. 5 the election of F. V. C. Hewett of Toronto to its board of directors. Mr. Hewett is President and Managing Director of McIntyre Porcupine Mines Ltd., a director of Castle-Trethewey Mines Ltd., The Imperial Life Assurance Company of Canada, National Trust Company Ltd. and other companies.

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R. G. Miller has been appointed Regional Superintendent for **The Canadian Bank of Commerce in British Columbia,** it was announced on Nov. 1 by the bank's New York agency.

Mr. Miller entered the service of the bank in 1919 at Halifax and prior to his appointment was Manager of the Vancouver branch in 1953, held senior positions at Ottawa, Toronto, St. John's, Nfld., and New York City.

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The appointments of James Lyall as Vice-President and Howard F. Peters as Assistant Comptroller of the **United States Trust Company of New York,** were announced on Nov. 1 by Benjamin Strong, President. Mr. Lyall joined the company in 1935 and since then has been connected with the personnel department. He was appointed an Assistant Secretary in 1953, and has been an Assistant Vice-President since January of 1955. Mr. Lyall is a member of the Board of Governors of the American Institute of Banking. Mr. Peters was first employed by the company in 1926 and has been associated with the Comptrollers Department since that time.

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Thomas F. Glavey and George A. Roeder, Jr., have been appointed Vice-Presidents of the **Chase Manhattan Bank of New York,** it was announced over the Nov. 5 week-end by J. Stewart Baker, President. Mr. Glavey is in charge of the insurance department and Mr. Roeder the credit department, both at the head office. Other promotions among the head office official staff were those of Harold B. Coburn to Assistant Vice-President, Daniel T. McMahon to Assistant Treasurer, and James P. Power to Assistant Staff Counsel.

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The Quarter Century Club of **The Kings County Savings Bank of Brooklyn, N. Y.,** held its eighth annual Dinner-Meeting at the Montauk Club on Oct. 30. Frederick C. Bragg, a real estate appraiser of the bank, was welcomed as the new member and presented with a gold watch. President Charles D. Behrens, founder of the Club, was made an Honorary Member and received a gold watch from the Club members. Winthrop Taylor, Chairman of the Board, has the longest record of service of the active members. There are 19 members, 5 of whom are retired on pension.

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Seven more hours have been added to each banking day at the Coney Island branch of **The Dime Savings Bank of Brooklyn, N. Y.,** it was announced on Nov. 7, by George C. Johnson, President of the bank. Beginning Nov. 8 business is now transacted from 7 a.m. to 8 p.m. each banking day at the "drive-in" windows at the branch, Mermaid Avenue and West 17th Street. Tellers will be on duty two hours before the bank doors open and five hours after they close. The "drive-in" windows at the Coney Island branch of "The Dime" were opened last March as a convenience for motorists, but until now they have been open only during the regular six-hour banking day. Now they will be open 13 hours a day. Extended hours are now in effect at the main office of "The Dime" and two of its three branches.

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New officer positions at **National Bank of Westchester, at White Plains, N. Y.** were announced on Oct. 25 by Harold J. Marshall, President. Ralph G. Holmes, Vice-President in charge of the Gedney Office, will move to Tarrytown, where he will supervise the bank's two **Tarrytown Offices** and one in **Hawthorne;** Paul R. Bellows, Vice-President in charge of the **Peoples Office on Mamaroneck Avenue,** will move to the **Gedney Office** in **White Plains,** replacing Mr. Holmes, and George E. Schmitt, Vice-President, will take over the **Peoples Office.** These shifts in responsibilities were made following the resignation of Edward W. Hickey, Vice-President, who has been in charge of the Tarrytown area.

Mr. Holmes has been in charge of the bank's Gedney Office since it first opened on May 25, 1953. He has been with the bank since 1929, when he joined the staff of the **Peoples National Bank & Trust Co.** as Cashier; he was made Vice-President of that bank in January, 1952, and continued as Vice-President in charge of the Gedney Office after the Peoples National Bank & Trust Co. consolidated with National Bank of Westchester in November, 1953. Prior to joining the Peoples National Bank & Trust, he served for 12 years with the New Rochelle Trust Co.

Mr. Schmitt joined the staff of the **Peoples National Bank & Trust Co.** in May of 1935, and was named Vice-President in January, 1952. In October, 1953, he was appointed Auditor when the Peoples merged with the Westchester Bank & Trust Co. (now National Bank of Westchester). Mr. Schmitt's position as Auditor will be filled by Henry P. Lawson, who has been his Assistant.

Mr. Bellows began his association with National Bank of Westchester in 1947, when he joined the Peoples National Bank & Trust Co. as Assistant Vice-President. In 1952 he was named Vice-President. In March, 1955, Mr. Bellows was placed in charge of the Peoples Office. Mr. Bellows was President and Director of the Oystermens Bank & Trust Co. of Sayville, N. Y.; a Vice-President of Manufacturers Trust Company of New York; and Executive Vice-President, Trust Officer and Director of the First National Bank & Trust Co. of Summit, N. J., before locating in White Plains.

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**The Poughkeepsie Trust Company,** a State member of the Federal Reserve System and the **Merchants National Bank and Trust Company,** both of **Poughkeepsie, N. Y.,** merged on Oct. 15 under the charter of the first named bank with a new title, **Dutchess Bank and Trust Company,** with head offices in the former offices of **Merchants National Bank & Trust Company.** A branch was established in the former location of Poughkeepsie Trust Company. This was made known in the Oct. 20 announcement of the Board of Governors of the Federal Reserve System. Incident to the consolidation, the Poughkeepsie Trust Co. increased its capital from \$350,000, in 70,000 shares, par \$5 each, to \$631,250 in 126,250 shares of the same par value.

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The consolidation was effected as of Sept. 21 of the **Andover National Bank of Andover, Mass.,** with common stock of \$350,000 and the **Merrimack National Bank of Haverhill, Mass.,** with common stock of \$350,000. The consolidation was consummated under the charter of the Andover National Bank and under the title of the **Andover and Merrimack National Bank of Haverhill.** The bank's main office will be located at Haverhill and a branch will be maintained in the former quarters of the Andover National Bank. The consolidated bank has a capital of \$700,000, in 35,000 shares of common stock, par \$20 each, surplus of \$700,000 and undivided profits of not less than \$253,212.

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**The Second Bank-State Street Trust Company of Boston, Mass.** announces that Louis C. Farley, Jr. formerly associated with Brown Brothers Harriman & Co. has been elected a Vice-President of the bank and will be in charge of its Foreign Department.

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**The Connecticut National Bank of Bridgeport, Conn.,** observed last week the 150th anniversary of its founding as the first banking institution in the old Borough of Bridgeport with a then population of 1,089. It is one of the oldest banks in New England and the third largest commercial bank in Connecticut. Capital of the institution at organization in 1806 was \$200,000. Its present assets are \$144,000,000 with deposits amounting to \$131,000,000. In addition to its main office in the business center of Bridgeport, the bank has 10 offices in other sections of the city and in adjacent towns.

Some nationally prominent names have been identified with the bank's history. In 1913 the **Pequonnock Bank, of Bridgeport,** organized 62 years earlier by Phineas T. Barnum, was merged into it. Mr. Barnum, the fabled "Master Showman" served as Mayor of Bridgeport in 1875. Henry Pomeroy Davison gained his first banking experience under Mr. Barnum who was the first President of the Pequonnock Bank. Mr. Davison later became founder of the **Bankers Trust Company of New York,** a Morgan partner and organizer of the American Red Cross in the first World War.

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Plans for the consolidation of the **First National Bank of Englishtown, N. J.** with the **Monmouth County National Bank of Red Bank, N. J.** have been approved by the stockholders of both banks, it was indicated on Oct. 16 by George L. Bielitz, President of the Red Bank institution it was made known in the Newark "Evening News" of Oct. 17. The plans for the consolidation, still await approval by the Comptroller according to the Newark "News" which reports that, if approved the consolidation would result in the Englishtown bank's becoming a branch of the Monmouth County National Bank. The "News" added:

"Voting in favor of the consolidation was described by Mr. Bielitz as 'overwhelming.' More than 88% of the Monmouth County's 710,000 outstanding shares and more than 95% of the First National's 425 outstanding shares were voted.

"Mr. Bielitz is continuing as President, with Frank K. Arnold, President of the Englishtown bank, becoming a Director."

The **Monmouth County National Bank** was the outgrowth of a previous consolidation the present year. This was indicated in our issue of Sept. 6, page 986, wherein it was noted that the **Second National Bank of Red Bank, N. J.** was consolidated with the **Keyport Banking Company of Keyport, N. J.,** the consolidation having been effected Aug. 17 under the charter of the Second National Bank and the title of the **Monmouth County National Bank of Red Bank.**

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In advices, Oct. 26, the stockholders and depositors of the **West Side Trust Company of Newark, N. J.** were advised officially of the plans agreed to by the **West Side Trust Company** and the **Bank of Commerce** for a merger subject to the approval of the stockholders of both banks and the Department of Banking and Insurance of the State of New Jersey. A reference was made to the plans in our issue of Oct. 25, page 1759. This merger, we are advised, will give West Side Trust Company five offices, all in the City of Newark. The announcement signed by T. C. Wallace, President, also states in part:

"For a long time, the officers and directors of West Side Trust Company have been considering a change of name. Growing as we have with four offices which serve business concerns and individuals throughout Essex County, we have felt that a 'locality' name (which 'West Side' really is) was not in keeping with our enlarged scope of operations. The Board of Directors has been considering several other names. Now that we are acquiring a fifth office, through merger with the **Bank of Commerce,** we have decided to use that name for all of the West Side Trust Company's banking offices, including, of course, the new office at 313 Market Street.

"The merged institutions will have capital accounts in excess of \$3,800,000 and total resources of approximately \$50,000,000."

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The election of Irving Riker as Chairman of the Executive Committee of the **Fidelity Union Trust Co. of Newark, N. J.** effective Nov. 1, was made known in the Newark "Evening News" of Oct. 18. Indicating that the announcement was made by the bank's board of directors the "News" stated that "The post is a new one." Mr. Riker, who is senior partner of the law firm of Riker, Emery & Danzig of Newark, has served as Fidelity Union's General Counsel since 1948 and as a member of the board of directors since 1949. Although his new post, which is salaried, will take much of his time, he will continue as a member of the law firm. Mr. Riker has been President of the Franklin Savings Institution of Newark since 1944 and a member of its board since 1924. He is a Director of the Mutual Benefit Life Insurance Co. and is on its finance committee. His father Adrian Riker, was President of Franklin.

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Norman H. Rea of Glenshaw, Pa. has been elected an Assistant Vice-President of **Fidelity Trust Company, of Pittsburgh, Pa.,** John A. Byerly, President, has announced. Mr. Rea has been serving as an Investment Officer, and formerly was a Trust Officer in the administrative division. He served as an Assistant Chemist with McCallum Hatch Bronze Co., of Buffalo, N. Y., before entering the banking profession. Mr. Rea currently serves as Vice-President of the board of directors of Shaler School District; instructor for the American Institute of Banking; besides being past President of Allegheny Investment Association, etc. He formerly was Vice-President and Director, of the Pittsburgh Junior Chamber of Commerce.

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Increased from \$772,825 the capital of the **Peoples National Bank of Norristown, Pa.,** became \$788,275 as of Oct. 15, as a result of a stock dividend of \$15,450.

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**The National City Bank of Cleveland, Ohio** offered its stockholders on Nov. 6 rights to subscribe to 100,000 shares (\$5,000,000) of additional common stock at \$50 per share on the basis of one new share for each 10 shares held. The offer, which will expire Dec. 3, is being underwritten by a group headed by Merrill, Turben & Co., Inc. of Cleveland.

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An offering to the holders of its common stock rights to subscribe for 263,400 shares of additional common stock has been made by the **National Bank of Detroit, at Detroit, Mich.** The stockholders are offered the rights to subscribe at \$52 per share for each ten shares held of record at the opening of business on Nov. 1. The subscription offer will expire at 3 p.m. (EST) on Nov. 21, 1956. The offering is being underwritten by a group of investment firms headed by Morgan Stanley & Co. Of the proceeds of the sale of the stock, \$2,634,000 will be credited by the bank to common stock, \$6,000,000 to surplus and \$5,063,000 to undivided profits.

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On Sept. 5 shareholders of the **Republic National Bank of Dallas, Texas** voted at a special meeting approval of a 5% stock dividend, it was announced by Karl Hoblitzelle, Chairman of the Board, and Fred F. Florence, President of the bank. Proposals adopted by shareholders provide for issuance of 127,500 additional shares of stock of the par value of \$12 each to be distributed as a stock dividend pro rata to shareholders of record Nov. 5, 1956. Issuance of the stock will be on the basis of one additional share for each 20 shares outstanding. This stock dividend it is stated has a present market value of approximately \$7,000,000.

Simultaneously with the effective date of the proposals, The Howard Corporation and other corporations whose shares are wholly owned and held in trust for the benefit of the shareholders of the **Republic National Bank** will pay a cash dividend of \$2,000,000 to the bank. Issuance of the stock dividend and completion of the increase in capital will be effective upon formal approval by the Comptroller of the Currency.

The bank's capital stock will be increased from \$30,600,000 to \$32,130,000, and surplus from \$39,400,000 to \$42,870,000, making total capital and surplus \$75,000,000. The increase will bring Republic's total capital funds, including reserves, to approximately \$87,000,000. It is contemplated that Republic's current dividend rate of \$0.14 per share per month, or \$1.68 per share annually, applicable to all shares to be outstanding on completion of the increase, will continue, Mr. Florence pointed out. A previous item in the matter appeared in our Oct. 18 issue, page 1661.

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The capital of the **First National Bank in San Rafael, Calif.** was reported at \$900,000 as of Oct. 1, increased from \$800,000 as a result of the sale of \$100,000 of new stock.

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The directors of the **Midland Bank Limited, of London,** announce that Whitney W. Straight, C.B.E., M.C., D.F.C., has been appointed a member of their Board and of the Board of Midland Bank Executor & Trustee Company Ltd.

## Bank and Insurance Stocks

By ARTHUR B. WALLACE

### This Week — Bank Stocks

It was in 1950 that Congress, it seemed somewhat grudgingly, enacted legislation the net effect of which was to give member banks of Federal Deposit Insurance Corporation some abatement of their assessments. When the corporation was set up it was expected that if the deposit insurance fund reached $1 billion there would be no further need to assess the member banks. The assessment rate has from the start of the corporation's operations been 1/12 of 1% annually of a member bank's total deposits in a given year (less certain exclusions and deductions).

Well, the fund had grown to over $1,200,000,000 in 1950 when Congress heeded the banks' pleas for a reduction in the assessment rate. There was every reason for an abatement of considerable size, as the annual accretions to the insurance fund from assessments had far outstripped not only losses sustained in closed banks, but also losses and expenses of operation combined. And this gave no consideration to another sizable source of income, that derived from the corporation's invested funds. These latter at the end of the 1955 calendar year totaled $1,724,900,000 face amount, carried at market or redemption value of $1,690,592,000. These holdings in 1955 brought in to the corporation about $39,575,000.

As in 1955, a fairly representative year as to receipts and losses, reserve for insurance losses plus "other insurance losses and expenses" totaled only $868,000, or ⅘ of 1% of the corporation's income after allowance for the net assessment income credit due the member banks, it becomes obvious that the fund is being piled up with little regard for what is fair to the banks. The 1950 enactment did grant the banks credits on their assessments; but still the fund grows. This legislation provided that as of Dec. 31, 1950 and annually thereafter, the corporation was to credit pro rata to the insured banks 60% of the net assessment income for the calendar year, the credit to be applied toward the payment of assessments becoming due for the semi-annual period beginning the next July 1. In 1955 this 60% credit worked out to be 56.37% because operating expenses, loss reserves, etc., were charged against it. These charges brought the total assessment for that year, $151,412,000 down to $142,172,000. Of the 1955 assessment $56,869,000 was transferred to the insurance fund, while $85,303,000 was credited to the member banks on their next due assessments.

The fact is that during the life of the FDIC, up to the end of 1955, only 429 insured banks had become "distress" banks. But over 99% of all deposits in these "distress" institutions were recovered by the depositors. The greatest proportionate loss to depositors (24% of deposits) occurred in only one bank.

These statistics of relatively negligible losses must be used with the background of the examining system. At the close of 1955 there were 13,457 insured banks under the wing of FDIC. Approximately 51% of these had been examined by corporation auditors in that year; but the others did not escape the check-up, for most of the remaining 49% were examined by the Federal Reserve System or the Comptroller of the Currency's office.

The corporation's policy is to make an annual examination of the affairs of member banks that are not members of the Federal Reserve System. With these and, for state chartered banks, state examinations, the opportunities for financial skulduggery are greatly minimized. And, no doubt, this examination routine has contributed in no small way toward the minor losses. It is, of course, true that no bank knows when a serious employee defalcation may strike; but there were only two such in 1955, and in any case most banks are covered by fidelity bonds against such losses, aside from the FDIC deposit insurance.

Why would it not be equitable to suspend assessments at this juncture with the provision that if the deposit insurance fund were to drop below a given figure, let us say $1,500,000,000, assessments at the present rate would be resumed until the fund got back up to the billion and a half? The corporation's funds would continue to grow by reason of its investment of nearly $1¾ billion, the income from which has probably in recent years more than covered the corporation's losses and operating expenses combined.

The 1955 income on government securities, plus "other" income, was approximately $39,600,000. Against this, administrative expenses and operating expenses, together with reserve for losses and "other insurance losses and expenses" totaled $9,536,000, or less than 25% of the above income figure.

### Forms Marc-XL

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Gordon L. Marcott is engaging in a securities business from offices in the Guaranty Bank Building under the name of Marc-XL.

### With Federated Plans

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mo.—Thurman H. Bell, Frank A. Clifton, Donald F. Stockburger, George A. Tumbleson, and Jack L. Walden are with Federated Plans, Inc.

### Join Hamilton Management

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — Robert E. Peterson, Merton H. Roberts and R. L. Vaught have become connected with Hamilton Management Corporation.





# Economic Effects of Satellites' Liberation

By PAUL EINZIG

**Should satellite countries gain Tito-type national communism, noted British Economist believes such possible consequences may occur in U. S. S. R. as: slowed down industrialization-pace; diversion of heavy to increased light consumer goods output; increased military production; and reduced surpluses available for cold-war export. Dr. Einzig finds this not an unmixed blessing since successful national Communist economies may increase the free world Communist population, and tip the balance of power in such countries as France and Italy to Socialist parties.**

*LONDON, England* — Although it might be premature at the time of writing to assume that Poland and Hungary can succeed in gaining their freedom from Russian domination, the development of the crisis in Eastern Europe appears to justify an attitude of guarded optimism. Quite conceivably the other satellite States may also benefit by this tendency towards the restoration of the full sovereignty of Eastern European countries. It is a matter of opinion whether the Communist regimes in these countries will be able to remain in power after the withdrawal of Russian troops from their territories.


Dr. Paul Einzig

Conceivably the mere threat of reoccupation by the Red Army in case of a successful attempt to overthrow Communist-controlled governments will be sufficient to secure their position in spite of the unpopularity of Communism in those countries. This article is written on the assumption that the system of satellite States dominated by Moscow will be replaced by a system of substantially independent Communist States. Even if other Left-wing parties will participate in the government, the regimes are likely to remain substantially Communistic. The main difference will be that national Communism will take the place of Moscow-dominated international Communism. It would be of interest to examine the effect this change is liable to produce on the economic cold war. There can be little doubt that it will affect not only the military and political power of Russia but also her economic power in the international sphere.

In the first place, the exploitation of the satellites will come to an end. During the last ten years Eastern Europe provided one of the worst examples of Colonialism in history. There was ruthless exploitation of the satellite States, the interests of which were entirely subordinated to those of Soviet Russia. This Colonialism was all the more shocking as it had not for its justification the existence of a need for developing a backward country by a more advanced country. Poland, Hungary, Czechoslovakia and Roumania are culturally and economically at a more advanced stage than Russia. Their exploitation was a case of advanced peoples being exploited by a backward people.

#### Resulting Changes in USSR Economy

Russia benefited to a high degree by being able to commandeer the resources of the satellite States. Now that this may come to an end she will be thrown back on her own resources. This means that other things being equal, the progress of industrialization will have to be slowed down in order to maintain the supply of consumer goods in Russia even at their present highly inadequate level. In particular, it will be necessary to divert industrial capacity from the expansion of heavy industries to the expansion of light industries to that end. And agricultural expansion will have to be given a higher priority, to replace land products hitherto commandeered from satellites. Similar result is likely to be produced by the politico-military effects of the change. Quite obviously Soviet Russia can no longer depend on the support of the armies of the former satellite States. And since it is the opinion of Russian military leaders that the restoration of the independence of these States is liable to weaken Russia's defenses, the Kremlin will have to decide to increase the number of Russian divisions which must be kept in readiness. This again means a diversion of productive capacity from civilian to military purposes, and since industries producing consumer goods must be maintained and even increased, the expansion of heavy industries is bound to be affected by the increased military requirements.

The above conclusion is based on the assumption that the supply of consumer goods in Russia would be maintined at its present level. In fact, one of the results of the Polish and Hungarian revolts is likely to be growing pressure on the Soviet Government to increase the volume of consumer goods in Russia. This will become necessary in order to safeguard the regime against being overthrown as a result of the growing discontent of the long-suffering Russian consumer.

Throughout history most revolts originated not through love of freedom for its own sake but through discontent caused by economic oppression. The American War of Independence provides one of the innumerable instances. The British Revolution of the 17th Century began with John Hampden's refusal to pay ship money. All experts on Eastern Europe agree that, had Poles and Hungarians not been driven to despair by the reduction of consumer goods supplies as a result of Russian exploitation, and the forced expansion of heavy industries ordered by Moscow, they would not have dared to risk extermination by irresistible waves of Russian armored divisions. Nothwithstanding censorship, the Russian masses are bound to realize sooner or later that, as a result of repudiating the authority of the Soviet Government, Poles and Hungarians are now able to achieve a higher standard of living. In order to avoid any violent outbreak of this discontent in Russia itself, Moscow will have to make considerable concessions by increasing the volume of consumer goods.

#### Will Reduce Surpluses for Cold War

Light industries will have to be expanded to the detriment of heavy industries, and that the exportable surpluses of goods available for the requirements of economic cold war will be less plentiful. The Soviet Government will be in a less favorable position to carry out gigantic capital investment programs in other countries for the sake of causing economic or political embarrassment to the Western Powers. Even in the absence of any diversion of productive capacity for such purposes, the expansion of Russian heavy industries will have to be slowed down very considerably. Should Russia continue nevertheless to build steel works and dams in uncommitted countries this means that the expansion of Russian heavy industries would have to be further curtailed to a corresponding extent.

The change in Eastern Europe may also mean that the countries which regained their freedom will trade more extensively with the Western world. In this sphere, Russia's loss would be the gain of the non-Communist industrial countries.

We should be unduly optimistic, however, if we were to suppose that from the point of view of the free world the change is an unmixed blessing. There may be unfortunately another side to it. If it should be possible to maintain in Eastern Europe national Communist regimes enjoying full sovereignty, Communism may become more attractive to Socialists in non-Communist countries. Many of them are at present opposed to Communism because they do not want their countries to be dominated by Moscow. If it should prove possible for Communist countries to maintain their independence from Moscow, their example is liabile to increase the number of Communists in the Free World. In countries such as France and Italy, where the proportion of Communists is already very high this might easily tip the balance of power in their favor.

It seems, therefore, reasonable to conclude that, while the change in Eastern Europe tends to reduce materially Russia's power for evil, it also tends to strengthen the disrupted forces within the free countries. To avoid unwarranted optimism it is well to bear in mind this aspect of the situation.

## John Robinson With B. C. Morton & Co.

LOS ANGELES, Calif.—B. C. Morton & Company of Boston, national investment firm, has appointed John Robinson of Los Angeles as West Coast regional manager, Joel Quint, national sales coordinator announced.

Mr. Robinson, formerly with King-Merritt and Company and Investors Diversified Services, will head planned West Coast expansion plans for the Boston concern, and supervise existing branch offices in Los Angeles, San Francisco and San Jose.

B. C. Morton & Company, with 30 offices representing mutual funds and insured savings associations, plan the addition of several new offices in the immediate future.

### Investment Ass'n of N. Y. To Have Cocktail Party

The Investment Association of New York will hold a cocktail party on Oct. 11 at the Lunch Club, 63 Wall Street, New York City from 4:45 p.m. until 7 p.m.

### Join Allen Investment Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Clark S. Evans, Charles P. Goldsmith, and James W. Stafford have been added to the staff of Allen Investment Company, Mile High Center.

# Securities Salesman's Corner

By JOHN DUTTON

## Tax Switch Opportunities in Turnpike Bonds

At the present time, the public reportedly holds about $4 billion in Turnpike bonds. These bonds have been originally offered at prices ranging from around 98½ to par and above, during the past two years. Many of these bonds are now quoted in the middle and low eighties, and others are at discounts of from five to ten points below their offering price.

Considering the situation from the investor's viewpoint who bought these bonds when they were originally offered, present market valuations are not too pleasant to behold. Yet, the very fact that the decline has been general over the entire list of Turnpike issues, now presents him with an opportunity to reduce his 1956 income tax substantially. He can do this without sacrificing yield or investment quality.

### The Decline Has Been General

Several factors have contributed to the decline in Turnpike obligations. The tight money situation and the over-all advance in interest rates has affected all bond prices, Turnpikes included. Also, many toll-road bonds were sold unrealistically during an aura of public over-optimism about the future of these super highways. Some issues were not priced realistically and they will find their proper place in the market evaluation now going on and in the future. The Federal highway program passed by Congress also caused some uncertainty about the future of privately financed toll-roads, although the Federal Act specifically guarantees that existing toll-roads will not be duplicated, and if they are absorbed into the proposed 41,000-mile free highway system, the bondholders will get a fair return.

The combination of all these factors and circumstances has created a general decline in the valuation of all Turnpike bonds. This offers some excellent opportunities for "tax savings" for the investor who will make indicated "switches" out of bonds that have declined in value into other good issues that have likewise shown a similar market depreciation.

TURNPIKE BONDS

| ISSUE— | Approx. Recent Price | Original Offering Price |
|---|---|---|
| Florida State Turnpike 3¼s 1995 | 85 | 100 |
| Kansas Turnpike 3⅜s 1994 | 82 | 99½ |
| Richmond Petersburg T'npike 3.45% 1995 | 89 | 100 |
| Texas Turnpike 2.70% 1980 | 86 | 2.80 basis |
| New Jersey Turnpike 2nd ser. 2.80% 1988 | 87 | 99 |

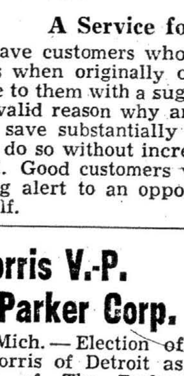
The foregoing is not intended to be representative of the entire list of Turnpike bonds now selling at substantial discounts. However, it is interesting to note the divergence of investment quality and status, and the similarity of yield and price range in many issues that you will uncover if you give the present market listing of these bonds a bit of study. Incidentally, the New Jersey Turnpike has been very successful and bond interest is well secured. The Ohio Turnpike is also showing a substantial improvement in earning power and this is now reflected in the improved market for the 3¼s of 1992.

### A Service for Your Client

If you have customers who have bought Turnpike bonds at higher levels when originally offered, they will appreciate it if you can come to them with a suggestion for a "tax savings switch." There is no valid reason why any investor should forego the opportunity to save substantially on his income tax bill for 1956, when he can do so without increasing his investment risk or sacrificing yield. Good customers will appreciate it, and will thank you for being alert to an opportunity to do something tangible in their behalf.

## W. H. Morris V.-P. of Parker Corp.

DETROIT, Mich. — Election of William H. Morris of Detroit as Vice-President of The Parker Corporation is announced. He will serve as wholesale representative of Incorporated Investors and Incorporated Income Fund in the states of Illinois, Indiana and Michigan.



William H. Morris

Until recently he has been Sales Manager of the Detroit office of the First of Michigan Corporation. He received a Masters Degree from Pennsylvania State University in Economics and Finance. He has been an instructor in Economics and Corporation Finance with several universities and an Economic Analyst with the Ford Motor Company. He joined First of Michigan Corporation in 1951, organized branch offices for the company in Port Huron and Flint before returning to Detroit as Sales Manager for that office.

### Joins Reynolds Staff

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—George N. Battis is connected with Reynolds & Co., 629 Second Avenue, South.

### With State Bond & Mtge.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn.—Herbert E. Hensley has been added to the staff of State Bond & Mortgage Company, 23 North Minnesota St.

### With King Merritt

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine—Roscoe C. Wriston has joined the staff of King Merritt & Co., Inc., Casco Bank Building.

### Joins Thill Staff

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—William R. Greiling, Jr., has been added to the staff of Lewis D. Thill, 704 North Broadway.

*Continued from first page*

# 1957 Outlook for Business, Housing, Mortgage Market

increase in consumer spending. I believe, however, that the mood of the consumer in 1957 will be a restrained one. His spending will rise, but at a much slower rate than during the boom of 1955.

### Inflationary Prospect

Total spending during the coming year is likely to rise by over $20 billion. The magnitude of this increase can be more clearly seen if it is remembered that during the first half of 1956 the rise in total spending has been only $6.5 billion. The expected increase in spending next year is therefore of very substantial proportions and will strain to the limit the productive capacity of our economic system.

While I do not have many doubts about the level of business activity next year, I am nevertheless seriously concerned about the effect on our economy of as large an increase in spending as that which I have pictured. The Gross National Product, i.e. the value of all goods and services produced in the United States, is at present running around $409 billion. In the coming year, we will probably be able to increase our **physical** output of goods and services by about 3.5%, or by $14 billion in constant prices. If spending actually increases by over $20 billion, as I expect it to do, it does not require an economist to figure out what must happen to prices. I am afraid that we are at present headed for a seriously inflationary situation. Despite the best efforts of the Federal Reserve, it is doubtful that price rises can be avoided altogether. Perhaps the best that can be hoped for is that the tight money policy will curb spending sufficiently so that all-out inflation and violent speculation can be averted.

In this framework of a booming economy and rising prices, what is likely to happen to the housing industry? Further, what steps, if any, should be taken by government to alter the expected situation in the housing market?

### Expects 1.1 Million Houses Started

At the beginning of 1955 the rate of private housing starts reached the highest level achieved since the all-time record year 1950. In December, 1954, homes were being started at an annual rate of 1,478,000, and in January, 1955, the rate was again over 1,400,000. In the following months, however, the rate of starts began to decline slowly but steadily; and this decline continued all through 1955 and into 1956. By January, 1956, the rate had fallen to 1,200,000 and there have been three months this year in which the rate has fallen below 1,100,000. Total privately financed housing starts for the full year 1956 will probably amount to 1,100,000, compared to over 1,300,000 in 1955.

As might have been expected, this decline in output of an important industry has evoked a storm of protest. We have heard dire predictions that unless something is done, the rate of starts will fall to 800,000 or even 500,000. The mortgage lending industry has been accused of withdrawing funds and choking off a vital segment of the economy. The Administration has been charged with disregarding the housing needs of the country. The Federal Reserve Board has been attacked for its tight money policy. So-called "emergency meetings" have been held in the building industry. All of this concern has been quite natural and desirable, but unfortunately very little real thinking has been done in an attempt to understand the basic causes for the decline in housing output, nor has there been much of an attempt to consider the housing situation in relation to the problems of the economy as a whole. Let me very briefly discuss some of the issues which are involved.

In the first place, the present rate of 1,100,000 housing starts is not a low rate. There have been only three years in our history—1950, 1954, and 1955—when privately financed housing starts have exceeded 1,100,000. There has been only one year—1955—when the amount of money spent on new residential construction exceeded the present rate of spending. The first point to get clearly in mind is therefore that the residential construction industry is not experiencing a depression. It is vigorous and prosperous.

### Tight Money not Sole Reason

In the second place, tight money is certainly not the only reason why there has been a reduction in the rate of housing starts. As the members of this audience know better than I, there has been a very rapid and a very substantial increase in the price of homes in the postwar period—an increase that has far outstripped the increase in the general cost of living. When the price of a product rises substantially faster than average family income, as homes have done, it is obvious that more and more potential home-buyers are being priced out of the market. I have seen many magazine articles predicting the tremendous increase in the demand for homes because of the expected rise in future average family income. These writers ignore entirely the fact that if home prices continue to increase at the postwar rate, the demand for homes five years from now will not be greater; it will be less than it is today.

In the third place, there is a limit to the number of new homes which our economy can absorb. This limit is not a fixed limit. It varies with the rate of family formation, with the prosperity of the economy, with the degree to which unsatisfied demands have accumulated in the past, with the migration of the population, and with the rate of demolition of outworn structures.

Before we can evaluate a given volume of home building as too high or too low we must of course look into all of these factors and attempt to estimate what volume of homes the market can reasonably be expected to absorb year after year. We have made such studies at Prudential. Long before the recent decline in housing volume we estimated in published reports that the sustainable level of housing output over the period 1956-60 was about 1,100,000 a year. Since publication of these reports, volume has in fact fallen to this sustainable level and it is significant that once having reached that figure it has leveled off on a plateau. Performance this year therefore appears to support the idea that 1,100,000 is a figure which can be maintained for a number of years into the future.

### Sees No Housing Crisis in Tight Money Period

For the reasons given above, I believe that the recent decline in the volume of home construction does not constitute a crisis, but on the contrary is an orderly adjustment to a volume which can be maintained in the future. Suppose, however, that we are mistaken in our estimates. Suppose that there is actually a real market demand in this country for considerably more than 1,100,000 homes annually. In that case, should down payments be lowered further, should the tight money policy of the Federal Reserve be relaxed, and should government provide further new funds in an effort to stimulate the housing industry? I believe that the answer to this question is an emphatic "no."

In the coming year this country will be faced with an extremely inflationary situation. The cost of living index has already advanced more in the last three months than in the preceding three years, and further price increases are in sight. Under these circumstances, it would be disastrous to turn to an easy money policy. If we are to avoid a runaway boom in the coming year we must maintain a tight curb on the economy. Every industry, including the housing industry, must be satisfied with less funds than it would like to have. Current price rises are the signal that we are trying to build more factories, more roads, more homes, more automobiles, and other capital and consumer goods than the economy is able to produce within a short period. The only way of avoiding serious inflation is to limit the volume of funds bidding for our output.

### Decries VA-FHA Further Rate Ceiling

I do believe, however, that the government has for some time been exercising one control which is inexcusably discriminatory and which has hurt, and will continue to hurt, the housing industry. This artificial control should be removed. I refer to the maximum limit on the interest charge under VA and FHA mortgages. In a tight money market, the limitation on the VA and FHA contract rate can have only one effect—the drying up of mortgage funds available under government guaranteed or insured contracts. Homebuilders and homebuyers should have an equal opportunity with other borrowers to bid for available funds. The interest rate maximum, along with practical limitations on discounting, prevents the building industry from having a fair chance at available funds.

I have gone into the housing situation in some detail because I know that this is a segment of the economy in which you are particularly interested. Now let's return to the more specific question: What volume of housing starts can be expected in 1957? I believe that housing output during the coming year will be maintained close to the 1,100,000 start level. Because of rising prices and the increasing size of the average home, **spending** on new residential construction is likely to rise by about one billion dollars.

### Housing Spending to Go Up

During the coming year, we are thus likely to see a rapidly expanding economy, with prices unfortunately also rising. Housing output will remain at about the present level, but **spending** on residential construction will be up about $1 billion. What does all this mean for the mortgage market? Will the funds necessary to finance the $1 billion of additional home spending be forthcoming fairly readily? Or is there likely to be a further strain on this market, with rates continuing upward?

To answer these questions, we must first turn to the capital market as a whole. The mortgage market is not an isolated money market, affected only by the rate of housing starts and the turnover of existing homes. It is instead a submarket—a part of the total market for long-term funds. Because of the ability of lenders, and borrowers, to shift out of one submarket into another in response to varying needs and varying interest rate differentials, the mortgage market is very much affected by what is happening in the market for other types of long-term funds. What, then, is likely to be the situation in the overall capital market during the coming year?

The increase of over $20 billion in total spending during 1957 may be partially accomplished through a further increase in the velocity, or turnover, of money. People may simply make more extensive use of the supply of funds already available. But it is obvious that, with business activity moving ahead strongly, with business plant and equipment expenditure programs continuing to advance, with the dollar volume of residential construction showing some increase, and with state and local government spending rising even more than in previous years, the demand for net new funds in 1957 will be tremendous. Of all major borrowers, the only agency which will not be pressing for more funds in 1957 will be the Federal Government. The Federal Government is likely to show a cash surplus of as much as $5 billion and the repayment of this much of the public debt will relieve some of the strain on the capital market. But even with this alleviating factor, the total net new demand for long-term capital funds over and above that supplied by repayments of existing debt is likely to rise from $34 billion in 1956 to about $37 billion in 1957—an increase of $3 billion.

**$5 Billion Capital Supply Deficiency**

While the demand for money will rise by $3 billion in the coming year, there will also be an increase in the volume of savings available to satisfy this demand. And the increase in savings in 1957 is likely to be just about equal to the increase in demand for funds. With savings and borrowing both rising by $3 billion, it might at first glance be concluded that the capital market in 1957 will present no problem. But such a conclusion would ignore a very important fact about the present capital market. In 1956, the supply of savings will fall $5 billion short of meeting the demand for capital funds. If savings in the coming year increase only as much as the demand for funds, it is clear that once again, in 1957, we will be faced with a $5 billion deficiency in capital funds. Once again, as in the present year, the banking system will be called upon to create $5 billion of extra money in order to make up the deficiency in savings. The true test of the capital market during the coming year will therefore revolve about the capacity of the commercial banks to supply this extra $5 billion.

**Federal to Hold Down on Member Bank Credit**

A glance at the consolidated statement of condition of the banking system indicates clearly that, unless the Federal Reserve creates a substantial amount of reserves through open market operations during the coming year, the commercial banks will not be able to supply the extra funds demanded by the capital market. The commercial banks began the year 1956 with negative free reserves of $500 million. That is, they were in debt to the Federal Reserve Banks by $500 million more than the amount of their excess reserves. In a situation such as this, the banks can expand their deposits only by going deeper into debt to the Federal Reserve. The Federal Reserve Board has continued throughout this whole year to hold the banks in a negative free reserve position, thus exerting tremendous pressure on them to curb their lending activity. In the remaining months of this year, I believe that the Federal Reserve will supply some reserves through open market operations. But it will do so sparingly so that the commercial banks will undoubtedly start the year 1957 in just the same position as they started 1956—heavily in debt to the Federal Reserve and unable to expand operations without further reserves.

From the foregoing analysis we can conclude that the capital market picture in 1957 will be very similar to the capital market picture of 1956. Demand for funds will be $3 billion higher and savings will be $3 billion higher. But savings will still be $5 billion short of supplying total demand, and the banks will be in no better position to make up this deficiency than they have been in recent months.

**Mortgage Money Will Be Tight**

Now, finally, what does this mean for the mortgage market? It means first of all that mortgage money will be tight, since this submarket will of course reflect conditions in the overall capital market. But over and above this general picture, are there not special influences which may make the degree of tightness in the mortgage market different from that in the capital market as a whole? There is, for instance the fact that housing will not expand in 1956 as fast as the rest of the economy. Secondly, there is the fact that savings flowing into institutions which traditionally invest in the mortgage market will rise in 1957, thus providing increased funds to a market whose demand will be up only slightly.

I believe that the influence of the two factors mentioned above will keep the 1957 mortgage market less tight than other money markets. All capital markets will be tight, but mortgages will not command as large a gross yield differential over other investments as is sometimes the case. Because of the increasing relative attractiveness of alternative investments, there will undoubtedly be in 1957 a small yet steady flow of funds out of the mortgage market into other investment markets. Some investors, such as commercial banks and life insurance companies, who operate in the mortgage market, but also in other markets, will cut down the amount of money going to mortgages and shift a portion of their investment flow to those markets where yields have shown the greatest relative gain. This outflow of funds from the mortgage market will be sufficient to preclude any softening in mortgage loan rates.

**Appeal for Firm Support for Federal Reserve**

I have, during the course of this talk, referred to the tight money policy of the Federal Reserve as though this were one factor which could be taken for granted. I hope that this is true. In a situation such as that facing the country today, with spending outstripping productive capacity and the demand for funds exceeding the supply of savings, any easing in the tight rein on credit would be disastrous. Yet there are those who, either because they do not realize the explosive nature of the current situation or because they consider their own business or political interests as more important than the welfare of the nation, are bringing strong pressure on our monetary agencies to turn their backs on sound policies and take the "easy money" course. May I appeal to each one of you to do everything you can to support the Federal Reserve in its efforts to curb spending in the coming year. By doing so you will not only be guarding the buying power of your own incomes; you will also be making sure that the boom of 1957 is not followed by the depression of 1958.

## With Slayton & Thayer

(Special to THE FINANCIAL CHRONICLE)

ALTON, Ill.—Delbert E. Walmsley has become affiliated with Slayton & Thayer, Hotel Stratford Building.

# *Our Reporter on Governments*

By JOHN T. CHIPPENDALE, JR.

The Government market continues to be on the defensive and this has brought new lows to many of the marketable issues. The war scare seems to have subsided, which means there is less tension in the market. Nevertheless, those that have funds are very much inclined to remain largely on the sideline. The exception is that the near-term issues continue to be well bought, with corporations still the principal takers of the most liquid Treasury obligations.

The substitution of holdings is still as strong as ever, with the attractive new offerings of corporates, and to a lesser extent tax exempts, taking the play away from the more distant maturities of Governments. Sales by institutional owners of the older outstanding non-Treasury bonds have also added to the woes of Government securities.

It is expected that the Treasury will make known the terms of its combined refunding and new money raising operation in the very near future. An optional offering is being looked for.

**Investors Very Yield Conscious**

The market for fixed income bearing obligations is still in a somewhat confused state, in spite of the favorable reception which has been given to certain of the recent new offerings of corporate bonds. The higher yields which have been available to those that are interested in long-term corporate and tax exempt securities has brought new buyers into these obligations.

Nonetheless, it is evident that those who have funds for investment in the more distant maturities of new issues of non-Government securities are not inclined to make commitments unless the yields are considered to be on what is being termed the "attractive side." One of the reasons for this kind of attitude towards new offerings of corporate bonds, in particular, is the liquidation which has come into some of the already outstanding bonds by institutions that have been pressed for funds and, in order to get them rapidly, have been forced to sell certain of their holdings of non-Treasury bonds.

**Credit Stringency Still Emphatic**

This indicates the tight money policy of the powers that be, is evidently having an effect upon the availability of credit as far as certain large institutional lenders are concerned. It is reported that in not a few instances, in order to make money readily available to those to whom they have been already committed, institutions have had to liquidate some of their holdings of corporate securities. Positions in short-term Government obligations, according to advices, had been previously liquidated. The holdings of long-term Government securities have also been cut down somewhat, but due to the thin and narrow market in these issues, and the less attractive yield of the Treasury obligations when compared with those of corporate securities, it is not easy to obtain needed funds quickly via the sale of Government issues.

This new development in the bond market will bear watching in order to see how far it might go, because it could be important as far as the flotation of new securities is concerned, as well as the rate which will have to be put on them so that they will be attractive to investors. The competition from new security offerings as well as the competition from the sale of the older outstanding bonds by institutions, will no doubt tend to keep Government securities on the defensive.

**Tax Switching Operations Continue**

According to reports, there is a pick-up in tax switches within the Government list itself, in spite of the inactivity and absence of interest in these issues. It is expected that as the year draws nearer to a close, there will be an increase in tax swaps, although a great many institutions have already taken care of their tax losses as far as Government obligations are concerned. The intermediates and longer maturities, according to advices, are being switched pretty much within their respective maturities, even though the 1961 and 1963 maturities have been attracting some of the money which has been obtained from the sale of the most distant Treasury obligations.

**Views on Treasury's Forthcoming Financing**

With the election out of the way, it is expected that the Treasury will be announcing within the next few days the terms for the refunding of the 2⅝% certificates which come due on Dec. 1, as well as the issue or issues that will be used in the new money raising operation. It is believed that the refunding and the new money offering terms will be announced at the same time, with the 2⅝% certificates being rolled over, while the cash needs of the Treasury are expected to be either $1,500 million or $1,600 million. A two-prong offering is being talked about in certain quarters of the money market, with a certificate, along with tax anticipation securities due about June 22, 1957. The issues, some believe, will be offered to holders of the maturing 2⅝% certificates as well as for the new money raising operation.

It is believed that the Federal Reserve Banks, the largest owners of the 2⅝s of Dec. 1, would take a one-year maturity, whereas the shorter tax anticipation issue would appeal to other holders. It is believed the new money securities will be payable again through the tax and loan account in commercial banks, which should make the rate more favorable to the Treasury.

## Joins Walston Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Cecil J. Downs has become associated with Walston & Co., Inc., 231 South La Salle Street. Mr. Downs was formerly with Reynolds & Co. and Bache & Co. In the past he was in the investment business in Los Angeles.

## With Daniel Reeves

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—George L. Mair has been added to the staff of Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges.

# Aspden, Robinson Co. Merges With Penington, Colket

PHILADELPHIA, Pa.—Penington, Colket & Co., 123 South Broad Street, members of the New York Stock Exchange and other leading exchanges, have announced the consolidation of Aspden, Robinson & Co. with Penington, Colket & Co. and the formation of a bond department under the direction of Ellwood S. Robinson and Lawrence B. Illoway, specialists in municipal, revenue and corporate bonds. The consolidation is effective Nov. 1, 1956.

Ellwood S. Robinson

Mr. Robinson has been active in the municipal bond field for more than 25 years. He was associated with Guaranty Co. of New York in their Philadelphia office until 1934 when he joined A. Webster Dougherty & Co. He left the latter firm in 1946 to form Aspden, Robinson & Co.

Mr. Illoway has been prominent in the field of corporate bond financing for more than 20 years. He graduated from Chestnut Hill Academy in 1929 and Harvard University in 1933. Following graduation he became associated with the Chase National Bank, later joining A. Webster Dougherty & Co. and Reynolds & Co. in Philadelphia. In 1941 Mr. Illoway entered the Army and left service in 1946 with the rank of Col. In 1948 he became a partner of Aspden, Robinson & Co.

## With A. G. Thorsen

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Oswold E. Breitengross is now connected with Adolph G. Thorsen, 735 North Water Street.

## Sauer Opens Office

MENDON, N. Y.—Howard A. Sauer is engaging in a securities business from offices on Mill St.

## Joins Walter Gorey

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Chas. B. Rhodes has been added to the staff of Walter C. Gorey Co., Russ Building.

**With Paine, Webber**

BOSTON, Mass.—Charles D. Driscoll is now affiliated with Paine, Webber, Jackson & Curtis, 24 Federal Street.

**With King Merritt Co.**

JACKSONVILLE, Fla.—Horace G. Mosser is now with King Merritt and Company, Inc., 24 Julia Street.



*Continued from first page*

# Funds Broadly Retrench Into Defensive Assets

The defensive attitude of many managements was also highlighted by the diminished proportions of overall new acquisitions devoted to junior equities in the cases of Investors Mutual (54%), Tri-Continental (27%), Scudder, Stevens & Clark (26%). In fact, of the net purchases over sales made by Investors Mutual, a mere 5.6% was channelled into common stocks.

Again, Eaton & Howard Balanced Fund bought only one stock (Virginia Electric & Power) while reducing its holdings in 28 other equity issues, the liquidation being concentrated in utilities, natural gas, motors, chemicals, rubbers and a few oils. Loomis-Sayles purchased five common stocks, while liquidating 16 issues.

United States' and Foreign's policy of realizing securities profits, accompanied by their distribution to the stockholders, at advanced market levels, was continued during the past quarter. In fact not a single share has been bought during the first nine months, whereas liquidation of non-government securities amounted to $22,100,000, including $6,100,000 in the September quarter.

On the other hand, some managements as Adams-American International and Wisconsin during the quarter increased the proportion of assets held in common stocks.

### Words of Caution

The generally lessened enthusiasm for the equity area of the market found its way into many a statement from management. Messrs. Fitzsimmons and Bradford of Investors Mutual cite the impact of rising bond yields on the vulnerability of equities. W. Linton Nelson, President, in explaining the shift into governments by Delaware Fund, Inc., cites the marked rise in their yield; also voicing concern over the Middle East situation; and greater competition with narrowed profit margins in the chemical and food industries. Similarly, Francis F. Randolph, Chairman of Tri-Continental, referring to its reduction in the proportion of common stock investment, asserted the increasing attractiveness of fixed-income bonds and preferred stocks as the tightening money market forced interest and dividend rates higher. Such common stock purchases as were made by "Tri" were importantly concentrated in utilities and bank stocks; while on the selling side several oils as well as Kaiser Aluminum predominated.

### Switching Into Attractive Bond Yields

The Johnston Mutual Fund, in the words of its Chairman and President, Messrs. D. T. Johnston and M. J. von der Heyde, late in August reduced its common stocks, and invested the proceeds in high grade bonds "which currently provide the highest yields which have been available for bonds of top quality in over 20 years. This action was taken partly because of the higher income which could be secured but primarily because it was believed that the present shortage of credit and rising interest rates may eventually result in some slackening in the present high rate of industrial activity."

President Milan D. Popovic of Blue Ridge, which fund sold more than it bought during the period, explained:

"After a prolonged rise of stock prices, in pace with a prosperous economy, a point has been reached where some consolidation of gains seems necessary before another extension of broad upward movement can be expected. The economy shows a tendency to be uneven in the activity of its various sections. It seems to be reaching for new balances after the great changes which have occurred. The stock market, after a general rise of substantial dimensions, is seeking true relative values between industrial groups and individual stocks. This is evidenced in the wide difference in action of various issues. Such a period calls for particularly searching and careful investment evaluation on the part of your management to get the greatest benefit of the changing prices."

T. Rowe Price, President of the fund bearing his name, explaining the lowest percentage placed in common stocks since its inception, cites the excess of wage and material costs over productivity, a prospective squeeze in profit margins, and increased political and international uncertainties.

### "Bullish" Expressions

In addition to frequent longer-term constructive addenda to the "bearish" statements, some managements have expressed outright affirmation of near-term confidence. For example, Edward P. Rubin, President of Selected American Shares, in reporting to stockholders, has this to say:

"On a shorter term basis, stock prices do not seem to be placing unreasonable valuations upon current or prospective earnings and dividends. Speculation in securities can properly be said to have been minimal, if one may judge by the moderate amount of brokers' loans."

Likewise from George Putnam, the Chairman of the Trustees of the Putnam Fund: "In general we are inclined to view the present period as one of opportunity to invest in the carefully selected securities on a more attractive basis than has been possible for some time."

* * *

### Policy Toward Industry Groups

Analysis of actual portfolio changes reveals that the impact of the prevalent *defensive* policies was felt through *liquidation* largely in the following industry groups: airlines, soft drinks, sales finance, motion picture, textile, tobacco and, to some extent, food.

On the other hand, *buying* was concentrated most emphatically in the steels; as well as in aircraft manufacturing, banks, coal, machinery, drugs paper, radio-TV, railroad equipment, farm equipment.

Changes were *mixed* in these groups: automotive, building, chemical, glass and container, electrical equipment and electronics, insurance, aluminum, copper, natural gas, office equipment, railroads, retail trade, rubber and tire, public utilities, and petroleum.

Policy toward the international oils was varied—particularly interesting, because of the political crisis in the Middle East.

## Groups Sold

### Finance Companies Liquidated

Apparently reflecting economic factors, namely, rising money rates and the decline in automobile sales, finance company holdings were lightened during the quarter. 108,000 shares of C. I. T. Financial were sold by three companies (which included a complete elimination of a 100,000 shareholding by Investors Mutual); with only one M. I. T. on the buying side, to the tune of 7,600 shares.

### Airlines Lightened

Sales also exceeded purchases in the airline group, which contrasted with this group's popularity during the previous quarter. Liquidation prevailed in American Airlines, Delta, Capital, and United. Only Eastern and Pan American attracted more buying than selling.

### Soft Drinks Sold

Beverage stocks, notably Canada Dry and Pepsi-Cola, were in disfavor. National Distillers, no doubt because of its further expansion in the chemical field, was bought.

### Movies, Tobaccos, and Textiles in Disfavor

Paramount Pictures and 20th Century-Fox were quite heavily sold, the former by six managements to the tune of 26,200 shares, with no buyers.

Tobaccos, reversing the situation during the previous quarter, met liquidation. American Tobacco was completely eliminated by M. I. T. (21,500 shares) and by the United Fund (14,000 shares).

Sales volume exceeded buying in the textile group. A total 42,000 shareholding of United Merchants and Manufacturers by Investors Mutual was closed out. Selling also outweighed buying in American Viscose, Dividend Shares (in the Bullock Group) eliminating a 12,000-share block.

### Food Share Sellers Exceed Buyers

In the case of the food industry, although action was by no means uniform, liquidation predominated. Exposed to selling were Allied Mills, Continental Baking, Standard Brands, Swift, United Fruit, and National Biscuit (of which Wellington Fund sold its entire holding of 28,000 shares). Revived interest was manifested in Carribean sugars, such as Cuban-American and West Indies. General Foods, General Mills, and Campbell Soup also attracted some buyers.

* * *

## Groups Bought

### Strong Buying of the Steels

In contrast to the bearish attitude displayed toward the above-cited groups, heavy and wide-spread buying flowed into the steels. Such constructive action apparently followed growing belief that this industry has lost its cyclical character; as being consistant with Wall Street's traditional caveat against bearishness because of strikes. Said Fundamental Investors: "The management of the Fund took advantage of depressed prices of steel securities during the mid-summer steel strike to effect substantial increases in steel holdings." As many as 13 managements purchased U. S. Steel aggregating 152,600 shares, including Wellington Fund in the amount of 63,000 shares, Fundamental Investors with 30,000 and M. I. T. with 20,000. No sales whatever were discernible. Among the three managements buying Republic Steel was Wellington Fund in the amount of 71,400 shares.

Armco attracted 49,500-share buying by eight managements, four of them making completely new commitments. The largest

...ingle buyer was M. I. T. with ...,000 shares. Only one fund, ...ational Securities-Stock Fund, ...old Armco (11,500 shares).

Bethlehem, one of the so-called ...split candidates," also attracted ...rike-disregarding buying by ...ight managements, with three ...unds selling.

Buyers also absorbed Crucible, Jones & Laughlin, National, Inland, Youngstown, and Cleveland-Cliffs; with liquidation completely absent in the three last-mentioned issues.

**Farm Equipments, Aircrafts Favored**

Deere and International Harvester were farm equipments attracting good-sized buying. The former was bought by 5 managements in an aggregate of 45,000 shares, of which 29,000 originated from the American Business Shares—Affiliated Fund group. Most of the buying in Harvester came from M. I. T., with an entirely new commitment of 50,000 shares. On the other hand, heavy liquidation took place in Allis-Chalmers (51,400 shares by 5 managements).

The aircrafts also elicited considerable bullish action. Boeing, Curtiss-Wright, and Glenn L. Martin were heavily bought, with no selling evidenced. Buying exceeded selling also in Bell, Douglas, Lockheed, McDonnell and

*Continued on page 25*

# Balance Between Cash and Investments of 73 Investment Companies

**End of Quarterly Periods June and September 1956**

| | Net Cash & Governments Thousands of Dollars —End of— June | Sept. | Net Cash & Governments Per Cent of Net Assets —End of— June | Sept. | Investment Bonds and Preferred Stocks* Per Cent of Net Assets —End of— June | Sept. | Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent of Net Assets —End of— June | Sept. |
|---|---|---|---|---|---|---|---|---|
| **Open-End Balanced Funds:** | | | | | | | | |
| American Business Shares | 6,212 | 5,155 | 20.1 | 17.5 | 28.5 | 32.7 | 51.4 | 49.8 |
| Axe-Houghton Fund A | 5,619 | 4,501 | 11.8 | 9.8 | 41.8 | 41.1 | 46.4 | 49.1 |
| Axe-Houghton Fund B | 3,567 | 1,665 | 4.1 | 2.6 | 27.8 | 23.3 | 68.1 | 74.1 |
| Axe-Houghton Stock Fund | 163 | 615 | 2.2 | 8.8 | 27.6 | 27.6 | 70.2 | 63.6 |
| Axe Science & Electronics | 1,416 | 694 | 9.2 | 5.9 | 23.4 | 24.2 | 67.4 | 69.9 |
| Boston Fund | 8,236 | 9,525 | 5.5 | 6.6 | ¶28.1 | ¶27.5 | ‡66.4 | ‡65.9 |
| Bowling Green Fund | 27 | 20 | 4.6 | 3.6 | 14.3 | 19.0 | 81.1 | 77.4 |
| Broad Street Investing | 1,337 | 1,267 | 1.5 | 1.4 | 16.1 | 17.7 | 82.4 | 80.9 |
| Commonwealth Investment | 9,673 | 8,355 | 8.2 | 7.4 | 18.0 | 18.9 | 73.8 | 73.7 |
| Diversified Investment Fund | 1,065 | 1,935 | 1.7 | 3.0 | 24.8 | 24.6 | 73.5 | 72.4 |
| Dodge & Cox Fund | 420 | 361 | 8.5 | 7.4 | 21.4 | 23.7 | 70.1 | 68.9 |
| Eaton & Howard Balanced Fund | 9,025 | 11,655 | 5.1 | 6.8 | 23.9 | 25.2 | 71.0 | 68.0 |
| General Investors Trust | 279 | 287 | 8.3 | 8.7 | 12.8 | 12.2 | 78.9 | 79.1 |
| Group Securities— Fully Administered Fund | 504 | 417 | 6.0 | 5.1 | 20.0 | 20.4 | 74.0 | 74.5 |
| Institutional Foundation Fund | 320 | 182 | 3.9 | 2.1 | 9.3 | 9.1 | 86.8 | 88.8 |
| Investors Mutual | 2,632 | 7,775** | 0.3 | 0.8 | 28.3 | 31.5 | 71.4 | 67.7 |
| Johnston Mutual Fund | 266 | 325 | 4.9 | 6.1 | 20.0 | 24.9 | 75.1 | 69.0 |
| Knickerbocker Fund | 932 | 1,114 | 6.7 | 8.3 | 22.3 | 23.3 | 71.0 | 68.4 |
| Loomis-Sayles Mutual Fund | 8,463 | 10,938 | 15.7 | 20.8 | 23.1 | 26.2 | 61.2 | 53.0 |
| Massachusetts Life Fund | 2,876 | 2,630 | 9.4 | 8.8 | 28.3 | 29.4 | 61.3 | 61.8 |
| National Securities—Income | 894 | 1,075 | 1.7 | 2.1 | 11.7 | 11.2 | 86.6 | 86.7 |
| Nation-Wide Securities | 2,489 | 1,193 | 9.1 | 4.6 | 31.4 | 36.2 | 59.5 | 59.2 |
| New England Fund | 1,069 | 1,106 | 7.6 | 8.1 | 32.6 | 32.9 | 59.8 | 59.0 |
| George Putnam Fund | 4,129 | 7,813 | 3.1 | 6.0 | 25.3 | 23.4 | 71.6 | 70.6 |
| Scudder, Stevens & Clark Fund | 2,464 | 5,514 | 4.3 | 7.9 | 33.3 | 32.7 | 62.4 | 59.4 |
| Shareholders' Trust of Boston | 1,707 | 1,742 | 8.8 | 9.1 | 19.5 | 20.3 | 71.7 | 70.6 |
| Stein Roe & Farnham Fund | 1,624 | 1,814 | 10.1 | 11.3 | 33.8 | 36.4 | 56.1 | 52.3 |
| Value Line Fund | 2,459 | 3,787 | 22.3 | 34.9 | 23.2 | 22.9 | 54.5 | 42.2 |
| Wellington Fund | 41,242 | 32,682 | 7.4 | 5.9 | 26.1 | 27.5 | 66.5 | 66.6 |
| Whitehall Fund | 152 | 98 | 1.9 | 1.2 | 45.9 | 47.7 | 52.2 | 51.1 |
| **Open-End Stock Funds:** | | | | | | | | |
| Affiliated Fund | 36,229 | 38,482 | 9.9 | 10.9 | None | 0.2 | 90.1 | 88.9 |
| Blue Ridge Mutual Fund | 1,267 | 1,211 | 4.7 | 4.7 | None | None | 95.3 | 95.3 |
| Bullock Fund | 4,110 | 4,534 | 13.4 | 14.8 | None | None | 86.6 | 85.2 |
| Delaware Fund | 1,693 | 2,955 | 4.0 | 6.9 | 2.6 | 2.5 | 93.4 | 90.6 |
| de Vegh Mutual Fund | 1,982 | 1,100 | 15.1 | 8.5 | None | 3.8 | 84.9 | 87.7 |
| Dividend Shares | 28,900 | 32,888 | 13.5 | 15.9 | None | None | 86.5 | 84.1 |
| Dreyfus Fund | 31 | 41 | 0.4 | 0.5 | None | None | 99.6 | 99.5 |
| Eaton & Howard Stock Fund | 7,485 | 9,003 | 11.3 | 13.2 | 1.5 | 1.5 | 87.2 | 85.3 |
| Energy Fund | 48 | 71 | 1.8 | 2.6 | None | None | 98.2 | 97.4 |
| Fidelity Fund | 11,218 | 23,170 | 4.7 | 9.7 | 3.7 | 3.7 | 91.6 | 86.6 |
| Fundamental Investors | 4,459 | 8,123 | 1.2 | 2.3 | None | None | 98.8 | 97.7 |
| General Capital Corp. | 482 | 136 | 2.7 | 0.9 | None | None | 97.3 | 99.1 |
| Group Securities—Common Stock Fund | 841 | 203 | 3.9 | 0.9 | None | None | 96.1 | 99.1 |
| Incorporated Investors | 10,437 | 7,604 | 4.1 | 3.0 | 1.5 | 1.6 | 94.4 | 95.4 |
| Investment Co. of America | 9,525 | 10,263 | 10.5 | 11.5 | None | 0.5 | 89.5 | 88.0 |
| Massachusetts Investors Trust | 5,949 | 5,363 | 0.6 | 0.5 | 0.9 | 1.2 | 98.5 | 98.3 |
| Massachusetts Investors Growth Stock | 1,296 | 1,204 | 1.2 | 1.2 | None | None | 98.8 | 98.8 |
| National Investors | 670 | 1,596 | 1.0 | 2.5 | None | None | 99.0 | 97.5 |
| National Securities—Stock | 1,604 | 1,356 | 1.3 | 1.1 | None | None | 98.7 | 98.9 |
| Pine Street Fund | 536 | 552 | 4.2 | 4.4 | 11.0 | 11.3 | 84.8 | 84.3 |
| T. Rowe Price Growth Stock | 880 | 1,454 | 11.7 | 19.1 | 1.9 | 1.9 | 86.4 | 79.0 |
| Scudder, Stevens & Clark— Common Stock Fund | 92 | 392 | 0.7 | 3.0 | None | None | 99.3 | 97.0 |
| Selected American Shares | 6,164 | 5,331 | 10.5 | 9.1 | 0.3 | 0.4 | 89.2 | 90.5 |
| Sovereign Investors | 28 | 47 | 1.7 | 2.7 | 1.6 | 2.1 | 96.7 | 95.2 |
| State Street Investment | 18,736 | 30,605 | 11.2 | 18.8 | None | None | 88.8 | 81.2 |
| United Accumulative Fund | 4,659 | 4,642 | 4.5 | 4.3 | None | 1.7 | 95.5 | 94.0 |
| United Continental Fund | 947 | 1,508 | 3.9 | 6.2 | None | 0.4 | 96.1 | 93.4 |
| United Income Fund | 4,356 | 7,583 | 2.7 | 5.0 | None | None | 97.3 | 95.0 |
| United Science Fund | 825 | 1,217 | 2.4 | 3.5 | 0.5 | 0.6 | 97.1 | 95.9 |
| Wall Street Investing | 1,294 | 1,314 | 18.7 | 19.0 | None | None | 81.3 | 81.0 |
| Wisconsin Fund | 762 | 195 | 6.8 | 1.7 | 1.2 | 1.2 | 92.0 | 97.1 |
| **Closed-End Companies:** | | | | | | | | |
| Adams Express | 10,388§ | 6,675 | §10.3 | 7.0 | 0.2 | 0.4 | 89.5 | 92.6 |
| American European Securities | 636 | 620 | 3.4 | 3.2 | 12.8 | 15.0 | 83.8 | 81.8 |
| American International | 6,024§ | 3,280 | §13.8 | 8.0 | 0.3 | 0.6 | 85.9 | 91.4 |
| Carriers & General | 932 | 1,320 | 5.1 | 7.7 | 4.3 | 3.4 | 90.6 | 88.9 |
| General American Investors | 6,401 | 7,420 | 9.7 | 11.6 | None | 2.2 | 90.3 | 86.2 |
| General Public Service | 2,928 | 3,457 | 11.1 | 13.6 | None | None | 88.9 | 86.4 |
| Lehman Corporation | 10,426 | 12,354 | 4.3 | 5.4 | 0.1 | 0.1 | 94.6 | 94.5 |
| National Shares | 2,828 | 2,894 | 11.2 | 11.5 | None | 0.8 | 88.8 | 87.7 |
| Niagara Share | 1,628 | 2,141 | 3.3 | 4.7 | 2.8 | 3.1 | 93.9 | 92.2 |
| Overseas Securities | 523 | 155 | 16.0 | 6.3 | 4.1 | 11.2 | 79.9 | 82.5 |
| Tri-Continental | 1,645 | 3,151 | 0.6 | 1.1 | 21.2 | 21.6 | 78.2 | 77.3 |
| U. S. & Foreign Securities | 17,179 | 16,799 | 12.4 | 13.3 | None | None | 87.6 | 86.7 |

*Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB for preferreds. ¶Bonds and preferreds irrespective of quality classification. ‡Common stocks only. §Reflecting temporary placement of proceeds from stock offering. **Before providing $26,702,396 for dividend paid Oct. 11.

## SUMMARY

**Changes in Cash Position of 73 Investment Companies —Sept. 30, 1956 vs. June 30, 1956**

| | Plus | Minus | Approx. Unchanged | Total |
|---|---|---|---|---|
| **Open-End Companies** | | | | |
| Balanced Funds | 16 | 13 | 1 | 30 |
| Stock Funds | 19 | 8 | 4 | 31 |
| **Closed-End Companies** | 8 | 4 | -- | 12 |
| Totals | 43 | 25 | 5 | 73 |

**Average Allocation by 73 Companies of Assets to Cash and Equivalent, Defensive Securities, and Risk Securities**

| | June 30, '56 | Sept. 30, '56 |
|---|---|---|
| Net cash, etc. and Governments | 7.0% | 7.2% |
| Defensive securities (investment bonds and preferreds) | 11.6 | 11.8 |
| Risk securities (common stocks plus lower grade bonds and preferreds) | 81.4 | 81.0 |

# Changes in Common Stock Holdings of 56 Investment Management Groups

(July — September, 1956)

Issues in which transactions by more than one management group occurred. Issues which more managements sold than bought are in italics. Numerals in parentheses indicate number of managements making entirely new purchases or completely eliminating the stock from their portfolios. *(Purchases shown exclude shares received through stock splits or stock dividends. Changes through mergers also disregarded.)*

| Bought No. of Trusts | Bought No. of Shares | | Sold No. of Shares | Sold No. of Trusts |
|---|---|---|---|---|
| | | **Agricultural Equipment** | | |
| 5(1) | 45,000 | Deere & Co. | 10,000 | 2(1) |
| 2(2) | 54,000 | International Harvester | 2,000 | 1 |
| *2(1)* | *3,100* | *Allis-Chalmers* | *51,400* | *5(1)* |
| | | **Aircraft Manufacturing** | | |
| 3(1) | 6,500 | Bell Aircraft | 500 | 1 |
| 2 | 13,000 | Boeing Airplane | None | None |
| 2 | 17,500 | Curtiss-Wright | None | None |
| 4(1) | 14,700 | Douglas Aircraft | 3,000 | 2 |
| 2(1) | 6,000 | Lockheed Aircraft | 5,000 | 1(1) |
| 5(2) | 23,100 | Martin (Glenn L.) | None | None |
| 3(1) | 18,800 | McDonnell Aircraft | 1,500 | 1 |
| 10(1) | 61,983 | North American Aviation | 45,700 | 4(1) |
| *3(1)* | *3,900* | *Bendix Aviation* | *17,900* | *4(2)* |
| *1* | *2,000* | *General Dynamics* | *5,900* | *2* |
| *2(1)* | *3,400* | *United Aircraft* | *4,000* | *4(1)* |
| | | **Airlines** | | |
| 4(2) | 25,400 | American Airlines | 63,200 | 4(3) |
| 2(1) | 5,500 | Delta Airlines | 10,000 | 2(1) |
| 5(1) | 24,500 | Eastern Air Lines | 11,500 | 3 |
| 2(1) | 15,400 | Pan American World Airways | 700 | 1 |
| *None* | *None* | *Capital Airlines* | *11,175* | *2* |
| *3(1)* | *18,400* | *United Air Lines* | *38,500* | *5(3)* |
| | | **Automotive and Parts** | | |
| 7(5) | 21,800 | Borg-Warner | 2,000 | 1 |
| 3(2) | 10,200 | Briggs & Stratton | 2,000 | 1 |
| 6 | 74,045 | Ford Motor | 9,800 | 2(1) |
| 6 | 15,300 | General Motors | 19,200 | 6(1) |
| 4(1) | 10,500 | Thompson Products | 5,300 | 3 |
| *1* | *900* | *Chrysler Corp.* | *19,900* | *4(4)* |
| *1* | *2,000* | *Federal Mogul-Bower Bearing* | *3,500* | *2(1)* |
| *None* | *None* | *Fruehauf Trailer* | *34,562* | *4(2)* |
| | | **Beverages (Soft and Liquor)** | | |
| 2 | 1,000 | Coca-Cola | 700 | 1 |
| 2(1) | 1,210 | National Distillers | 500 | 1 |
| *None* | *None* | *Canada Dry* | *11,400* | *2* |
| *1* | *500* | *Pepsi-Cola* | *18,500* | *2* |
| | | **Building Construction and Equipment** | | |
| 2 | 3,000 | Armstrong Cork | None | None |
| 4(2) | 12,400 | Carrier Corp. | 6,200 | 3(3) |
| 2 | 2,900 | Consolidated Cement | None | None |
| 2 | 3,470 | Minneapolis-Honeywell | 300 | 1 |
| 1 | 400 | National Homes | 1,000 | 1(1) |
| 2 | 3,100 | Sherwin-Williams | None | None |
| 1 | 12,000 | Trane | 500 | 1 |
| 2 | 9,700 | U. S. Gypsum | 1,000 | 1 |
| 2(1) | 2,650 | Yale & Towne | 4,500 | 2(1) |
| *1* | *5,000* | *American Radiator* | *26,000* | *4(3)* |
| *2(1)* | *30,000* | *Certain-teed Products* | *39,000* | *3(3)* |
| *None* | *None* | *Dragon Cement* | *4,300* | *2(1)* |
| *None* | *None* | *Flintkote* | *11,400* | *2* |
| *None* | *None* | *Johns-Manville* | *500* | *2* |
| *1* | *10,000* | *National Gypsum* | *4,000* | *3* |
| *1* | *500* | *National Lead* | *1,300* | *3* |
| *None* | *None* | *Neptune Meter* | *17,200* | *2* |
| *1* | *1,500* | *Otis Elevator* | *2,800* | *2* |
| *1(1)* | *50,000* | *U. S. Pipe & Foundry* | *2,500* | *2* |
| *2* | *26,500* | *U. S. Plywood* | *6,000* | *3(1)* |
| | | **Chemicals** | | |
| 4(1) | 26,900 | American Cyanamid | 128,500 | 4(2) |
| 3(1) | 4,050 | American Potash & Chemical | 500 | 1 |
| 1 | 9,600 | Atlas Powder | 1,900 | 1 |
| 1(1) | 5,000 | Freeport Sulphur | 8,000 | 1(1) |
| 2(1) | 6,400 | Harshaw Chemical | None | None |
| 2 | 10,200 | Hercules Powder | 2,300 | 2 |
| 2(1) | 2,800 | Olin Mathieson | 1,000 | 1(1) |
| 2 | 700 | Pennsylvania Salt | None | None |
| 4(2) | 8,400 | Spencer Chemical | 15,000 | 2(2) |
| 2(1) | 9,500 | Stauffer Chemical | None | None |
| 1 | 7,600 | U. S. Borax & Chemical | 1,600 | 1 |
| *2* | *5,000* | *Allied Chemical* | *8,825* | *6(2)* |
| *2* | *1,500* | *Dow Chemical* | *12,872* | *5* |
| *5(1)* | *8,000* | *Du Pont* | *13,000* | *8(1)* |
| *1* | *475* | *Eastman Kodak* | *1,400* | *3* |
| *1* | *24,300* | *Hooker Electrochemical* | *11,700* | *3* |
| *4* | *10,888* | *Monsanto Chemical* | *23,033* | *6(1)* |

| Bought No. of Trusts | Bought No. of Shares | | Sold No. of Shares | Sold No. o[f Trusts] |
|---|---|---|---|---|
| *1* | *500* | *Rohm & Haas* | *960* | *2* |
| *None* | *None* | *Texas Gulf Sulphur* | *9,000* | *2(2* |
| *None* | *None* | *Union Carbide & Carbon* | *3,500* | *4(1* |
| | | **Coal and Coke** | | |
| 2(1) | 15,500 | Clinchfield Coal | None | Non |
| 4(1) | 14,000 | Island Creek Coal | None | Non |
| 3(2) | 50,200 | Koppers | None | Non |
| 1 | 5,300 | Pittsburgh Consolidation Coal | 700 | 1 |
| 4(1) | 31,500 | Pittston | 19,262 | 2 |
| | | **Containers and Glass** | | |
| 3(1) | 19,400 | Anchor Hocking Glass | None | Non |
| 2 | 3,900 | Corning Glass Works | 900 | 2 |
| 2 | 5,750 | Dixie Cup | 1,400 | 1(1 |
| 3 | 7,400 | Libbey-Owens-Ford Glass | None | Non |
| 3(1) | 11,500 | Pittsburgh Plate Glass | 300 | 1 |
| *3* | *3,100* | *American Can* | *38,700* | *4(2* |
| *2* | *30,000* | *Continental Can* | *28,400* | *3(1* |
| *None* | *None* | *Owens-Corning Fibreglas* | *8,800* | *4(1* |
| *None* | *None* | *Owens-Illinois Glass* | *8,300* | *2* |
| | | **Drug Products** | | |
| 3(1) | 2,700 | American Home Products | 500 | 1(1 |
| 2(1) | 10,000 | Bristol-Myers | None | Non |
| 3(1) | 12,800 | Lily (Eli) "B" | 6,500 | 3 |
| 4 | 17,500 | McKesson & Robbins | 51,400 | 2(1 |
| 3 | 22,300 | Mead, Johnson | 3,000 | 1(1 |
| 7 | 42,000 | Merck & Co. | 6,000 | 2 |
| 3(1) | 27,100 | Parke, Davis | 9,000 | 2(1 |
| 6(2) | 19,700 | Pfizer (Chas.) | 200 | 1 |
| 2 | 4,100 | Schering | None | Non |
| *None* | *None* | *Searle (G. D.)* | *12,500* | *3(1* |
| *1* | *500* | *Sterling Drug* | *6,700* | *2(1* |
| | | **Electrical Equipment and Electronics** | | |
| 2(1) | 4,600 | Consolidated Electrodynamics | None | Non |
| 1 | 300 | Cutler-Hammer | 800 | 1(1 |
| 2(1) | 9,300 | Daystrom | None | Non |
| 4 | 6,200 | General Electric | 10,900 | 4 |
| 3(1) | 3,800 | McGraw Electric | 500 | 1 |
| 6(1) | 10,800 | Radio Corp. | 8,100 | 3(2 |
| 1 | 1,000 | Raytheon Mfg. | 3,500 | 1(1 |
| 2 | 965 | Sunbeam | None | Non |
| 5(1) | 32,200 | Westinghouse Electric | 16,700 | 2(1 |
| *1* | *500* | *Cornell-Dubilier* | *950* | *2* |
| *None* | *None* | *International Tel. & Tel.* | *22,000* | *5(2* |
| *None* | *None* | *Philco* | *5,900* | *2(1* |
| *1* | *500* | *Sprague Electric* | *9,500* | *2* |
| *1(1)* | *2,000* | *Square D* | *1,100* | *2* |
| | | **Finance, Banking and Insurance** | | |
| 2(1) | 4,000 | American Insurance | None | Non |
| 2 | 9,200 | Associates Investment | None | Non |
| 1 | 1,000 | Beneficial Finance | 5,000 | 1 |
| 2(1) | 19,000 | Chase Manhattan Bank | None | Non |
| 2(2) | 18,500 | Chemical Corn Exchange Bank | None | Non |
| 2(1) | 1,000 | Commercial Credit | 19,900 | 1 |
| 1 | 500 | Fireman's Fund Insurance | 14,000 | 1(1 |
| 6(5) | 27,600 | First National City Bank (N.Y.) | 2,500 | 2(1 |
| 2(1) | 7,000 | Guaranty Trust (N. Y.) | 1,000 | 1(1 |
| 2 | 1,600 | Hartford Fire | None | Non |
| 1(1) | 14,225 | Maryland Casualty | 5,000 | 1 |
| 1 | 3,800 | Pacific Finance | 20,000 | 1(1 |
| 4 | 6,500 | Travelers Insurance | 300 | 1 |
| *1(1)* | *200* | *Aetna Life* | *1,300* | *2(1* |
| *1* | *7,600* | *C. I. T. Financial* | *108,000* | *3(3* |
| *None* | *None* | *Phoenix Insurance* | *7,500* | *2(2* |
| *None* | *None* | *Seaboard Finance* | *21,100* | *2(1* |
| *1* | *2,200* | *U. S. Fidelity & Guaranty* | *6,200* | *2* |
| | | **Food Products** | | |
| 1 | 1,000 | Armour & Co. | 3,000 | 1(1 |
| 1 | 1,000 | Best Foods | 900 | 1 |
| 2(1) | 7,400 | Campbell Soup | None | Non |
| 2(2) | 5,400 | Cuban American Sugar | 3,600 | 1(1 |
| 3(1) | 9,000 | General Foods | 7,600 | 1 |
| 2(1) | 2,700 | General Mills | 400 | 1(1 |
| 2(2) | 3,600 | West Indies Sugar | None | Non |
| *1* | *2,000* | *Allied Mills* | *21,500* | *2(1* |
| *None* | *None* | *Continental Baking* | *9,600* | *2(2* |

| Bought No. of Trusts | Bought No. of Shares | | Sold No. of Shares | Sold No. of Trusts |
|---|---|---|---|---|
| None | None | *National Biscuit* | *29,100* | *3(3)* |
| 1 | 500 | *Standard Brands* | *4,200* | *2(2)* |
| None | None | *Swift & Co.* | *5,900* | *3(1)* |
| None | None | *United Fruit* | *14,300* | *5(2)* |
| | | **Machinery and Industrial Equipment** | | |
| 2(2) | 13,685 | Babcock & Wilcox | 1,000 | 1 |
| 4 | 16,100 | Caterpillar Tractor | 3,000 | 1 |
| 4(2) | 20,000 | Dresser Industries | 5,200 | 2 |
| 5(1) | 10,800 | Food Machinery & Chemical | 3,000 | 1 |
| 1 | 1,900 | Ingersoll Rand | 1,000 | 1 |
| 3(2) | 4,200 | Joy Manufacturing | None | None |
| 1(1) | 3,300 | Link-Belt | 2,000 | 1(1) |
| 1(1) | 2,000 | United Shoe Machinery | 1,000 | 1 |
| 1(1) | 525 | *Black & Decker* | *800* | *2(1)* |
| 1(1) | 12,000 | *Combustion Engineering* | *7,800* | *3(1)* |
| | | **Metals and Mining** | | |
| 3(1) | 10,700 | Aluminium Ltd. | 1,400 | 3(1) |
| 2 | 5,300 | American Smelting & Refining | 1,500 | 1(1) |
| 1 | 2,000 | Copper Range | 900 | 1 |
| 2(1) | 10,000 | Cyprus Mines | None | None |
| 2(2) | 1,500 | General Cable | None | None |
| 1 | 600 | Hudson Bay Mining & Smelting | 3,000 | 1(1) |
| 3(2) | 5,000 | International Nickel | 1,400 | 2(1) |
| 2(1) | 15,000 | Kennecott Copper | 18,600 | 2(2) |
| 5(3) | 55,900 | New Jersey Zinc | 500 | 1 |
| 1 | 150 | O'okiep Copper | 450 | 1 |
| 4 | 18,500 | Phelps Dodge | 500 | 1 |
| 2(1) | 5,500 | Ventures Ltd. | None | None |
| 2 | *15,200* | *Aluminum Co. of America* | *5,900* | *5* |
| 2(1) | *11,000* | *Cerro de Pasco* | *1,725* | *3* |
| 1 | *3,000* | *Climax Molybdenum* | *6,100* | *2(1)* |
| None | None | *Kaiser Aluminum* | *15,600* | *3(1)* |
| 1(1) | *1,300* | *Magma Copper* | *2,450* | *4* |
| None | None | *Revere Copper & Brass* | *700* | *2* |
| None | None | *Reynolds Metals* | *12,760* | *3* |
| None | None | *St. Joseph Lead* | *6,000* | *2(1)* |
| None | None | *U. S. Foil "B"* | *6,500* | *2(1)* |
| None | None | *Vanadium Corp. of America* | *5,400* | *2(1)* |
| | | **Natural Gas** | | |
| 3 | 4,000 | American Natural Gas | 200 | 1 |
| 2(1) | 5,000 | Lone Star Gas | 5,700 | 2(1) |
| 1 | 20,000 | National Fuel Gas | 11,000 | 1(1) |
| 4 | 10,200 | Northern Natural Gas | 15,000 | 3(2) |
| 1(1) | 8,000 | Pioneer Natural Gas | 8,000 | 1(1) |
| 2 | 20,400 | Republic Natural Gas | 1,000 | 1 |
| 3(2) | 22,822 | Southern Natural Gas | None | None |
| 2 | 6,000 | United Gas | 3,300 | 1(1) |
| 1 | *4,000* | *Colorado Interstate Gas* | *6,500* | *2(1)* |
| 1(1) | *1,000* | *El Paso Natural Gas* | *37,500* | *4* |
| None | None | *Panhandle Eastern Pipe Line* | *4,500* | *2* |
| None | None | *Tennessee Gas Transmission* | *6,000* | *2(1)* |
| | | **Office Equipment** | | |
| [illegible] | 12,800 | Burroughs Corp. | 2,500 | 2(1) |
| [illegible] | 1,275 | I. B. M. | 300 | 2 |
| None | None | *Addressograph-Multigraph* | *1,400* | *2* |
| (1) | *2,000* | *National Cash Register* | *2,300* | *2* |
| (1) | *5,000* | *Pitney-Bowes* | *502* | *2* |
| | | **Oil** | | |
| [illegible] | 7,500 | Anderson-Prichard Oil | 3,500 | 2(1) |
| (1) | 26,100 | Atlantic Refining | 1,000 | 1 |
| (3) | 24,000 | British-American Oil | None | None |
| (3) | 40,800 | British Petroleum | 5,000 | 1 |
| (1) | 23,000 | Cities Service | None | None |
| | 10,800 | Honolulu Oil | 700 | 1 |
| (1) | 5,000 | Mission Corp. | 6,000 | 1(1) |
| (1) | 18,350 | Ohio Oil | 21,000 | 2(1) |
| (1)* | 23,000* | Phillips Petroleum | 22,900 | 4(1) |
| (1) | 2,400 | Pure Oil | 500 | 1 |
| | 13,600 | Richfield Oil | 600 | 1 |
| (1) | 35,300 | Royal Dutch Petroleum | None | None |
| (1) | 13,300 | Seaboard Oil | 700 | 2 |
| | 15,800 | Shamrock Oil & Gas | 1,000 | 1 |
| (1) | 2,000 | Signal Oil & Gas "A" | 7,000 | 1 |
| (1) | 21,000 | Sinclair Oil | None | None |
| | 6,400 | Skelly Oil | 1,000 | 1 |
| (1) | 20,900 | Socony Mobil Oil | 13,450 | 4 |
| (1) | 70,200 | Standard Oil (Ind.) | 16,793 | 2(2) |
| | 1,900 | Standard Oil (Ky.) | 3,400 | 1 |
| | 400 | Standard Oil (Ohio) | 500 | 1 |
| | 16,925 | Sunray Mid-Continent Oil | 18,750 | 2(1) |
| 2 | 210 | Superior Oil | 370 | 1 |
| 3 | 20,400 | Texas Co. | 24,600 | 3(1) |
| 1(1) | 1,000 | Tidewater Oil | 1,070 | 1 |
| *3* | *1,900* | *Amerada Petroleum* | *16,000* | *4* |
| *2(1)* | *8,200* | *Continental Oil* | *10,000* | *5(1)* |
| *4* | *22,000* | *Gulf Oil* | *51,180* | *6* |
| None | None | *Louisiana Land & Exploration* | *7,000* | *2(1)* |
| *7(1)* | *33,770* | *Shell Oil* | *11,480* | *8(1)* |
| None | None | *Southland Royalty* | *6,900* | *2* |
| *3* | *26,000* | *Standard Oil of California* | *35,054* | *7(1)* |
| *4* | *35,760* | *Standard Oil (N. J.)* | *17,100* | *6* |
| *1* | *1,365* | *Texas Pacific Coal & Oil* | *642,100*** | *7(6)*** |
| None | None | *Union Oil of California* | *20,500* | *5(2)* |
| | | **Paper and Paper Products** | | |
| 1 | 12,300 | Champion Paper & Fiber | 1,500 | 1 |
| 2 | 1,400 | Great Northern Paper | 800 | 1 |
| 1(1) | 10,000 | Hammermill Paper | 1,050 | 1(1) |
| 5(1) | 38,500 | Marathon Corp. | None | None |
| 3 | 28,700 | Rayonier | 2,250 | 2(1) |
| 3(2) | 24,800 | St. Regis Paper | 2,800 | 2 |
| 1 | 3,800 | West Virginia Pulp & Paper | 1,100 | 1 |
| *1* | *2,800* | *Crown Zellerbach* | *2,000* | *3* |
| *3* | *5,740* | *International Paper* | *23,446* | *7(1)* |
| *1* | *1,100* | *Mead Corp.* | *7,300* | *2(1)* |
| *1* | *10,800* | *Union Bag-Camp* | *22,700* | *4(1)* |
| None | None | *U. S. Envelope* | *9,500* | *2(1)* |
| | | **Public Utilities** | | |
| 6 | 5,180 | American Tel. & Tel. | 27,800 | 3 |
| 1 | 31,300 | American Water Works | 12,000 | 1(1) |
| 3(1) | 13,100 | Central & South West | 4,400 | 1 |
| 2 | 3,858 | Cincinnati Gas & Electric | 2,700 | 1 |
| 1 | 100 | Florida Power | 2,500 | 1 |
| 5(1) | 9,200 | General Public Utilities | 8,500 | 3(2) |
| 3(1) | 17,800 | General Telephone | None | None |
| 1 | 5,000 | Gulf States Utilities | 4,500 | 1 |
| 1 | 1,000 | Illinois Power | 2,000 | 1(1) |
| 4(2) | 20,000 | Iowa-Illinois Gas & Electric | None | None |
| 4(2) | 39,500 | Kansas Power & Light | 2,100 | 1 |
| 4 | 7,200 | Middle South Utilities | 6,500 | 2(2) |
| 1 | 3,900 | Minnesota Power & Light | 2,500 | 1(1) |
| 3(1) | 41,000 | Niagara Mohawk Power | 39,500 | 3(2) |
| 2(1) | 11,600 | Northern Indiana Public Service | None | None |
| 2(1) | 7,300 | Pacific Power & Light | None | None |
| 2(1) | 3,100 | Peoples Gas Light & Coke | None | None |
| 4(1) | 46,600 | Public Service of Indiana | 124,000 | 4(3) |
| 2 | 15,700 | San Diego Gas & Electric | None | None |
| 5(2) | 41,650 | Southern California Edison | None | None |
| 3(1) | 19,800 | Southern Co. | 5,000 | 1(1) |
| 6(4) | 27,000 | Southwestern Public Service | None | None |
| 3 | 5,300 | Texas Utilities | 3,700 | 1 |
| 2(1) | 8,000 | Union Electric (Missouri) | None | None |
| 3(2) | 29,000 | Virginia Electric & Power | 3,600 | 2(1) |
| 2 | 3,800 | West Penn Electric | 2,000 | 1 |
| 1 | 700 | Wisconsin Electric Power | 12,100 | 1 |
| *2(1)* | *10,775* | *American Gas & Electric* | *55,296* | *6* |
| None | None | *Brooklyn Union Gas* | *5,300* | *2* |
| None | None | *Columbia Gas System* | *51,700* | *4* |
| *1* | *5,000* | *Columbus & Southern Ohio Elec.* | *10,500* | *3(2)* |
| *1* | *1,000* | *Commonwealth Edison* | *5,500* | *2(1)* |
| *1* | *5,000* | *Consolidated Edison (N. Y.)* | *35,400* | *3(2)* |
| *1* | *4,800* | *Consumers Power* | *4,100* | *2(1)* |
| None | None | *Duquesne Light* | *27,000* | *2(1)* |
| *1(1)* | *200* | *Equitable Gas* | *4,200* | *2(1)* |
| None | None | *New England Electric System* | *37,200* | *5(3)* |
| *1(1)* | *5,000* | *Ohio Edison* | *2,800* | *2* |
| *2* | *67,300* | *Oklahoma Gas & Electric* | *8,750* | *3(1)* |
| None | None | *Toledo Edison* | *23,800* | *2(2)* |
| None | None | *Utah Power & Light* | *2,900* | *2* |
| None | None | *Western Union* | *31,500* | *2(1)* |
| | | **Radio, Television and Motion Pictures** | | |
| 2 | 11,000 | Amer. Broadcasting-Paramount | 6,000 | 2(2) |
| 6(2) | 64,643 | Columbia Broadcasting 'A' & 'B' | 32,746 | 4(2) |
| 3 | 3,600 | Motorola | None | None |
| 1(1) | 3,000 | Zenith Radio | 1,000 | 1(1) |
| None | None | *Paramount Pictures* | *26,200* | *6(1)* |
| *1(1)* | *7,000* | *Twentieth Century-Fox* | *16,000* | *2(1)* |

*Continued on page 26*

*Continued from page 23*

# Funds Broadly Retrench Into Defensive Assets

North American. Sales outnumbered purchases in General Dynamics, United Aircraft, and particularly in Bendix Aviation.

**Coal Shares' Popularity Grows**

Popularity of the coal stocks continued to pick up. Incorporated Investors, extending its previous predilection, concentrated a full half of its issues bought during the quarter in coal stocks. This included Island Creek, North American, Pittston, Truax-Traer, West Kentucky, and Koppers.

**Drugs**

Drugs were favored on balance, especially Bristol-Myers, Mead Johnson, Merck, Parke, Davis, Pfizer, and Schering. On the other hand, McKesson & Robbins, G. D. Searle, and Sterling Drug, experienced more selling than buying.

**Bank Stocks**

Bank stocks, no doubt reflecting rising money rates, continued to attract good buying; especially Chase, Manhattan, Chemical Corn, Guaranty and First National City of New York.

**Machinery**

Accumulation prevailed in machinery stocks, including Babcock & Wilcox, Caterpillar, Dresser, Food Machinery and Chemical, Joy, Combustion Engineering, and Link-Belt.

**Paper**

Although the policy toward the paper issues was not uniform, buying outweighed selling, especially in Champion, Great Northern, Hammermill, Marathon, Rayonier, St. Regis, and West Virginia. In disfavor, on balance, were International, Mead, and Union Bag.

**Radio-TV**

Among the Radio-TV issues, ABC-Paramount, Motorola, and Zenith were bought on balance. In the case of Columbia Broadcasting, 6 funds including Investment Company of America and M. I. T., bought more than 64,000 shares, while 4 others, including

*Continued on page 26*

*Continued from page 25*

| —Bought— No. of Trusts | No. of Shares | | —Sold— No. of Shares | No. of Trusts |
|---|---|---|---|---|
| | | **Railroads** | | |
| 2(1) | 2,600 | Atlantic Coast Line | 6,000 | 1(1) |
| 5 | 31,500 | Chesapeake & Ohio | 7,400 | 2(1) |
| 2(2) | 38,800 | Chicago & North Western | None | None |
| 3 | 10,100 | Great Northern | 500 | 1(1) |
| 3 | 7,200 | Illinois Central | 17,500 | 3 |
| 3(2) | 9,400 | Kansas City Southern | None | None |
| 1 | 1,000 | New York, Chicago & St. Louis | 11,300 | 1 |
| 3 | 11,100 | Norfolk & Western | None | None |
| 6(1) | 12,100 | Southern Railway | 3,700 | 2 |
| *1* | *2,000* | *Atchison, Topeka & Santa Fe* | *57,300* | *4(2)* |
| *1* | *2,500* | *Baltimore & Ohio* | *2,200* | *2(1)* |
| *1(1)* | *2,000* | *Canadian Pacific* | *13,300* | *2(2)* |
| *1(1)* | *2,300* | *Chicago, Rock Island & Pacific* | *8,800* | *2* |
| *1* | *4,800* | *Denver & Rio Grande Western* | *36,500* | *2(2)* |
| *None* | *None* | *Gulf Mobile & Ohio* | *4,000* | *2(1)* |
| *None* | *None* | *Northern Pacific* | *18,000* | *4(3)* |
| *None* | *None* | *Seaboard Air Line* | *22,300* | *2(1)* |
| *2(1)* | *5,000* | *Southern Pacific* | *97,200* | *8(4)* |
| *1* | *5,000* | *Union Pacific* | *1,200* | *2(2)* |
| *1* | *2,652* | *Western Pacific* | *2,500* | *2(1)* |
| | | **Railroad Equipment** | | |
| 3 | 6,200 | ACF Industries | None | None |
| 3(1) | 4,200 | American Brake Shoe | None | None |
| 1 | 2,500 | American Steel Foundries | 500 | 1(1) |
| 2 | 1,000 | Gen. American Transportation | None | None |
| 3(1) | 5,500 | New York Air Brake | None | None |
| 4(1) | 17,729 | Union Tank Car | None | None |
| 3(2) | 15,000 | Westinghouse Air Brake | 1,000 | 1(1) |
| | | **Retail Trade** | | |
| 5(1) | 14,400 | Allied Stores | 23,300 | 3(1) |
| 2 | 1,200 | Associated Dry Goods | 12,300 | 2(2) |
| 2 | 8,500 | Bond Stores | None | None |
| 2 | 3,000 | Federated Department Stores | 500 | 1 |
| 3(1) | 9,000 | First National Stores | None | None |
| 2(1) | 13,750 | Grand Union | 200 | 1 |
| 3(1) | 25,600 | Kroger | None | None |
| 2 | 2,000 | May Department Stores | 12,500 | 1(1) |
| 2 | 2,500 | Montgomery Ward | 26,700 | 2(1) |
| 2(1) | 5,500 | Safeway Stores | 100 | 1(1) |
| 3 | 18,600 | Simpsons Ltd. | None | None |
| 1 | 1,000 | Spiegel | 1,000 | 1(1) |
| 1 | 6,500 | Woolworth | 1,000 | 1 |
| *None* | *None* | *Mercantile Stores* | *4,200* | *2(1)* |
| *1* | *2,000* | *National Tea* | *15,200* | *2(1)* |
| *1(1)* | *1,000* | *Penney (J. C.)* | *1,700* | *2(1)* |
| *None* | *None* | *Sears, Roebuck* | *50,230* | *5(1)* |
| | | **Rubber and Tires** | | |
| 4(1) | 13,600 | Firestone | 4,500 | 2(1) |
| 8(3) | 26,400 | Goodyear | 3,400 | 2 |
| 6 | 13,440 | U. S. Rubber | 21,000 | 3(2) |
| *2* | *2,300* | *Goodrich* | *3,400* | *4(1)* |
| | | **Steel and Iron** | | |
| 5(3) | 41,500 | Allegheny Ludlum Steel | 200 | 1 |
| 8(4) | 49,500 | Armco Steel | 11,500 | 1 |
| 8(2) | 25,200 | Bethlehem Steel | 6,200 | 3(1) |
| 2(1) | 5,360 | Cleveland-Cliffs Iron | None | None |
| 3(3) | 21,000 | Crucible Steel | 4,100 | 2 |
| 2(1) | 3,000 | Hanna (M. A.) "A" | 2,400 | 1(1) |
| 6(1) | 12,600 | Inland Steel | None | None |
| 3 | 17,500 | Jones & Laughlin Steel | 7,300 | 1 |
| 2 | 22,000 | National Steel | 1,000 | 1 |
| 3(1) | 75,800 | Republic Steel | 3,900 | 3 |
| 1(1) | 300 | Sharon Steel | 1,000 | 1(1) |
| 13(2) | 152,600 | U. S. Steel | None | None |
| 4(1) | 19,500 | Youngstown Sheet & Tube | None | None |
| | | **Textiles** | | |
| 2(1) | 8,600 | American Viscose | 12,000 | 1(1) |
| 2 | 5,892 | United Merchants & Mfrs. | 42,500 | 2(2) |
| | | **Tobacco** | | |
| 1 | 900 | Reynolds Tobacco "B" | 3,000 | 1 |
| *2(1)* | *1,300* | *American Tobacco* | *36,500* | *3(2)* |
| | | **Miscellaneous** | | |
| 2 | 6,500 | Beckman Instruments | 16,100 | 1 |
| 2 | 2,700 | Filtrol | None | None |
| 3 | 14,000 | Gillette | 20,000 | 1 |
| 2(1) | 1,600 | Grace (W. R.) | None | None |
| 1(1) | 5,000 | Gustin-Bacon Mfg. | 12,000 | 1(1) |
| 1 | 1,000 | Harbison-Walker Refractories | 8,700 | 1(1) |
| 2(2) | 19,386 | Long-Bell Lumber | None | None |
| 2 | 3,400 | Minnesota Mining & Mfg. | 1,100 | 2 |

| —Bought— No. of Trusts | No. of Shares | | —Sold— No. of Shares | No. of Trusts |
|---|---|---|---|---|
| 4(2) | 16,500 | Newport News Shipbuilding | None | None |
| 1 | 9,600 | Procter & Gamble | 400 | 1 |
| 1 | 1,100 | Singer Mfg. | 1,000 | 1 |
| 6(1) | 22,650 | Sperry Rand | 52,600 | 5(2) |
| 2(1) | 7,000 | Transamerica | 1,000 | 1(1) |
| *None* | *None* | *Anderson, Clayton* | *3,000* | *2(1)* |
| *3(1)* | *2,600* | *Colgate-Palmolive* | *37,400* | *5(2)* |
| *1* | *100* | *Ekco Products* | *12,000* | *2(1)* |
| *1* | *500* | *Glidden* | *5,500* | *2* |
| *1* | *4,000* | *Halliburton Oil Well Cementing* | *5,800* | *2* |
| *1* | *7,800* | *Johnson & Johnson* | *3,900* | *2(1)* |
| *None* | *None* | *Minerals & Chemicals Corp.* | *3,100* | *2(2)* |
| *1* | *600* | *Newmont Mining* | *1,100* | *3* |

*Not including 32,000 shares acquired by the Scudder, Stevens & Clark Fund which during September 1956 purchased the assets of the Phillips Investment Company, a family holding company.

**A group of investment trusts and institutional investors in Massachusetts sold 1,085,792 shares to Sinclair Oil Corp.

*Continued from page 25*

# Funds Broadly Retrench Into Defensive Assets

Incorporated Investors, sold nearly 33,000 shares.

### Groups Encountering Divergent Reactions

**The Motors**

In the automotive group, prime favorites included Ford Motor, on which there evidently was considerable taking advantage of the opportunity to average downward the cost of previous commitments. Purchases totalled 74,000 (including an addition of 55,000 by M. I. T.). Borg-Warner and Thompson Products were other favorites in this group. Action in General Motors, on the other hand, represented a virtual stand-off. In the case of Chrysler and Fruehauf, liquidation was controlling, the four sellers of the former issue making complete eliminations of their holdings.

**Building**

In the building, construction and equipment group, buying prevailed in Carrier, Armstrong Cork, Minneapolis-Honeywell, Sherwin-Williams, Trane, U. S. Gypsum, U. S. Pipe and Foundry, and U. S. Plywood. On the other hand, bearishness prevailed towards American Radiator, Flintkote, and to some extent, Certain-teed.

**Chemicals**

In the chemical group, among those liked were American Potash, Atlas Powder, Harshaw, Hercules Powder, Stauffer, U. S. Borax and Hooker Electrochemical. On the other hand, there was more selling than buying in American Cyanamid (including a complete elimination of 104,500 shares by Affiliated Fund), Spencer, Allied, Dow, DuPont, Monsanto, Texas Gulf Sulphur and Union Carbide.

**Glass and Containers**

In the container and glass category, particularly favored were Anchor Hocking, Corning, Dixie Cup, Libbey-Owens-Ford, and Pittsburgh Plate; while selling predominated in American Can, Owens-Corning, and Owens-Illinois. In Continental Can selling almost matched buying.

**The Electrical Sector**

Buying predominated in Daystrom, McGraw Electric, RCA and Westinghouse, in the case of Westinghouse the volume of purchases (including a further 5,000-share addition by Lehman Corp., and 21,000 shares by American Business Shares-Affiliated Fund) about doubled sales (which included a 15,000-share reduction by State Street).

**Insurance**

In the insurance group, buying prevailed in American, Hartford Fire, Maryland Casualty, and Travelers; while selling predominated in Fireman's Funds, Aetna Life, Phoenix, and U. S. Fidelity & Guaranty.

**The Non-Ferrous Metals**

Buying greatly outweighed selling in Aluminium, Ltd., the most popular metal holding by investment companies, and in Alcoa. On the other hand, there was only selling in Kaiser Aluminum, Reynolds, and its parent U. S. Foil.

Other favorites in the non-ferrous metal group were American Smelting, General Cable, International Nickel, New Jersey Zinc, Phelps Dodge, Ventures Ltd., Cerro de Pasco, and Cyprus Mines. Sold on balance were Hudson Bay, Kennecott, Climax Molybdenum, Magma, St. Joseph Lead, and Vanadium.

**Natural Gas**

Southern Natural Gas, American, National Fuel, Republic, and United Gas were favorites in their field. Sold on balance were Northern Natural Gas, El Paso, Panhandle Eastern Pipe Line, and Tennessee Gas Transmission.

**Office Equipment**

The volume of purchases greatly exceeded sales in the case of Burroughs and Pitney-Bowes. Sales predominated in addressograph.

**The Oils**

Action in the petroleum group was particularly diverse, even in the case of the politically-affected international companies, where the selling was not uniform. In this group Gulf, Standard of California, and Texas met with selling presure. On the other hand, British Petroleum and Royal Dutch continued to be bought in good amounts. Selling also predominated in such predominantly domestic issues as Amerada, Continental, Ohio, and Union of California. Standard Oil of Indiana, on the other hand, attracted large buying, including a 43,700-share block by Investors Mutual. Particularly mixed was the policy exhibited toward Jersey, 4 managements buying 36,000 shares while six others sold 17,100 shares.

**Utilities**

Likewise mixed were the utilities. Out of 42 issues under our review, 25 met with more buying than selling, while in the case of 17 others, liquidation exceeded accumulation. Favorites included Central & South West, General Public Utilities, General Telephone, Iowa-Illinois Gas & Electric, Kansas Power & Light, Northern Indiana Public Service, Oklahoma G. & E. Pacific Power & Light, San Diego Gas & Electric, and Southern California Edison. Among the issues sold were American Gas & Electric, Columbia Gas, Consolidated Edison, Duquesne Light, New England Electric, Toledo Edison, and Western Union. Niagara Mohawk ower ended in a near stand-off etween buying and selling.

ails

Rails also met a mixed reception, ith somewhat more selling than uying. Favorites included the oal-carrying Chesapeake & Ohio nd Norfolk & Western, as well s Chicago & North Western, reat Northern, Kansas City outhern and Southern Railway. n the other hand, there was conderable liquidation of Illinois entral, Nickel Plate, Atchison, hicago Rock Island, Denver & io Grande, Gulf Mobile & Ohio, orthern Pacific, Seaboard Air ine, and Southern Pacific.

Seven railroad equipment issues ere bought, with only negligible ales.



**Retail Trade**

Favored retailers during the quarter were First National Stores, Grand Union, Kroger, Safeway, and Simpsons Ltd. Sold on balance were Allied Stores, Associated Dry Goods, May Department Stores, Montgomery Ward, National Tea, and Sears Roebuck. The latter was sold by five managements to the tune of $50,000 shares; with no offsetting buyers.

**Rubbers and Tires**

Likewise mixed was the rubber and tire group. The best buying, by eight management groups, was concentrated on Goodyear; with Firestone also attracting buying-on-balance. On the other hand, there was some selling of U. S. Rubber and Goodrich.

* * *

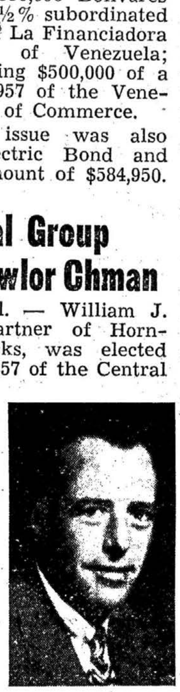
**Exploiting Yield in South America**

Reflecting the search for high-yielding fixed-income issues, as well as the opportunities therefor in Latin America, George Putnam Fund bought 3,350,000 Bolivares par value of a 7½% subordinated note due 1966 of La Financiadora Nacional, S.A., of Venezuela; while also holding $500,000 of a 6% note due 1957 of the Venezuelan Ministry of Commerce.

The former issue was also bought by Electric Bond and Share in the amount of $584,950.

## IBA Central Group Elects Lawlor Chman

CHICAGO, Ill. — William J. Lawlor, Jr., partner of Hornblower & Weeks, was elected Chairman for 1957 of the Central States Group of the Investment Bankers Association of America at the group's annual meeting.



Wm. J. Lawlor, Jr.

Two other posts of Vice-Chairman and Secretary-Treasurer were filled, respectively, by Paul W. Fairchild, Assistant Vice-President of The First Boston Corporation, and Erwin A. Stuebner, partner, Kidder, Peabody & Co.

Former CSG Chairman, David J. Harris, partner, Bache & Co., will serve on the executive committee. Four other Chicagoans also named to this committee include Sampson Rogers, Jr., partner, McMaster, Hutchinson & Co.; Richard B. Walbert, midwest syndicate Manager, Blyth & Co., Inc.; Francis R. Schanck, partner, Bacon Whipple & Co.; Robert A. Podesta, partner, Cruttenden & Company.

Two executive committeemen from out-of-town are G. Edward Slezak, Vice-President, The Milwaukee Co. (Milwaukee, Wis.) and Roy W. Leriche, President and Treasurer of the First of Iowa Corp. (Des Moines, Iowa). The Central States Group of the IBA is composed of members from Illinois, Wisconsin, Iowa, Nebraska and Indiana.

## Joins Robbins Staff

(Special to The Financial Chronicle)

WORCESTER, Mass. — John J. Timon has become affiliated with H. L. Robbins & Co., Inc., 40 Pearl Street. He was previously with Hanrahan & Co.

## R. F. Campeau Adds

(Special to The Financial Chronicle)

DETROIT, Mich. — William J. O'Brien has been added to the staff of R. F. Campeau Company, Penobscot Building.

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# Is Restrictive Federal Reserve Policy too Late and too Little?

server cannot help but feel that if these easier terms are successful in reaching more potential purchasers, higher costs will result. The more that are brought into the market with easier credit, the greater will be the competition for the labor and materials required, and the higher the prices which will result. Naturally those who have something to sell, the materials suppliers, the construction workers, and the owners of land suitable for subdivision, are delighted with this situation. They should be. But is the ex-service man really favored, or is he taken for a ride? And how about all others who want new houses and must either pay more or be forced to withdraw from the market? Then there are the contractors, many of them fly-by-night outfits, who have seen their chances to flimflam the public and come out of it rich. While the general price level has about doubled since before World War II, the prices of homes have tripled or quadrupled, and in the welter of demand, flimflamming the public has been riotous.

Housing is here taken as an example, but much the same thing could be said for the production of all durable consumers' goods. Long maturities and no down-payments seem to make it easier for people to buy, but if such terms bring into the market hundreds of thousands or millions of people who could not buy if substantial down-payments and shorter maturities were required, the results must mean higher prices for those who do buy, while many sensible people will withdraw from the market entirely.

### Willingness to Blame Federal Reserve

Another aspect of the reaction of the public to the Federal Reserve's credit policy is the willingness of many people to blame the Federal Reserve for the tightness of credit. Dissatisfied people must have a scapegoat, and the Federal Reserve, sitting aloof, lonely, and grand, is a good one. It can be blamed. But blame does not rest with the Federal Reserve. The enormous demand for loanable funds is what is raising the interest rate high. If we had no central bank, the results would be different, just how, it is impossible to say, but the interest rates would be high, because millions of people and firms, both producers and consumers, are bidding for the use of money, and the rate of interest would have to rise. But when the Federal Reserve warns against overextension of credit and applies the brakes, it is blamed conveniently for bringing about a stringency.

The supply of loanable funds is limited by the savings of business firms and people, notwithstanding the tendency of the Keynesians, the devotees of the New Economics, to ignore this or try to explain the matter in some other way. But the banking system with its fractional reserves has the capacity to lend more than its depositors bring in. That is, with an increase of reserves of a million dollars, a bank might be able to increase deposits by making loans of two or three million dollars, maybe even more depending upon various circumstances not germane to this discussion. So there is an elasticity here which would not be present without the banking system. Naturally, if the demand for loans rises, and lenders are willing to lend, the supply of unloaned funds declines. As the supply becomes less and less, the price which lenders can charge, the rate of interest, rises. This would occur without any Federal Reserve System. But when the Federal Reserve makes it possible to increase the reserves of the member banks, it enables more loans to be made, and so increases the supply of loanable funds. Now if the System starts to apply the brakes, it gets the blame for the high rate of interest and the adverse effects upon the business situation. The piling up of demand on demand on demand comes to seem to be the natural thing, and if the Federal Reserve tries to remove some of this demand, the lamentations are loud and long.

The rate of interest is a rationing device. At any rate, there are some people who are just induced to borrow, who would withdraw if the rate went up a fraction of a percentage point higher. As millions of people and firms enter the market for loanable funds, for both consumers' goods and producers' goods, the rate of interest must rise as part of this rationing process. The marginal borrowers are now willing to pay a higher rate, and if the rationing process is to work, the effective rate of interest which makes it work must be higher. Yet the Federal Reserve gets the blame. An interesting example of this rationing process has occurred recently in the summer of 1956 when several large corporations postponed the issuance of new long-term bonds because the rate of interest was higher than they were willing to commit themselves to pay over a period of years.

Besides all these considerations, there is the unwillingness of many people to accept the fact that the markets for many things may be approaching the saturation point *at present prices*. They may accept it privately, but for publication, no. They profess to believe that if the credit conditions were eased, selling would go on as before, and there would be no interruption. Therefore, it is the fault of the Federal Reserve System that there is any slowing down at all.

### Making "1920's" Mistakes?

We have become so accustomed to prosperity that most people cannot conceive of any other situation. The business cycle is no more, and depression can be prevented by the authorities, or if it should appear, it can be corrected. Yet there are the perennial pessimists (myself included) who feel that government cannot cure or prevent depression, that the business cycle has not been repealed, and that the government interference of the 1930's actually prevented or retarded recovery, for between 1933 and the time of the war, the unemployment never was less than 7½ million, and was sometimes as high as 12 million. But while we pessimists have been pointing with warnings, we have overlooked a couple of things. One was the shortages of things people wanted but could not buy during the depression of the 1930's because the needed adjustments did not take place. Then while recovery was slowly taking place, war came on, and we had to do without for four more years to take care of our military needs. Then there was the period of reconversion which happily took a shorter time. Then there was the pent-up purchasing power generated by war which came flooding onto a market which could not supply in brief time all that was demanded. It took much more time this time than after previous wars. But it does not follow that 10 or 11 years of prosperity establish a new order or that the business cycle is no more. We have made practically the same mistakes as were made in the 1920's, but on a far larger scale. Whether they will bring the same results or not remains to be seen, and the fact that the results have not been forthcoming certainly does not prove that they will not be forthcoming some time.

Indeed, the events now going on would seem to fit the descriptions of past business cycles in the phase of prosperity where it reaches a peak and turns into recession: costs rising faster than prices, consumer resistance to higher prices, higher interest rates, profits increasing but at a diminishing rate with some profits lower than the preceding year's, stepped-up labor union activities with many gains achieved, many of which cannot be sustained in time of recession, and the appearance of saturation in many markets.

Saturation is relative to prices charged, of course. An automobile dealer might find few sales of cars priced at $3,600, more sales if he reduced the price to $3,000, still more, at $2,400, and a complete sell-out at $2,000 with a sickening feeling in the pocket-book. Similarly with homes, household durable appliances, clothes, and everything else that people buy. Meanwhile manufacturers have built up producing capacity in anticipation of continued increase in sales and find they have overdone it. *The Wall Street Journal* of June 7, 1956, stated, "Over-expansion threatens some lines. Basic raw materials such as ammonia, potash, sulfur appear to have more capacity than is needed. So do many TV and appliance makers. Some economists fear aluminum, steel, paper-board and plastics may be getting that way." It is quite obvious that home building is slowing down extensively. The change-over period in the automobile industry clouds the picture there, but the confident anticipations about enthusiasm for the 1957 cars on the part of buyers may or may not be realized. That remains to be seen. And catching up after steel strike leads some optimists into further optimism. And last but not least, the confidence which some writers seem to feel that the present rash of price increases means more and more inflation may be misplaced. This eagerness for price increases is always part of the picture of the final phases of prosperity. Only time will tell whether the pattern of the past will be repeated in broad outlines, differing widely in many details, of course, in the coming months or years. But he who would say that depressions are a thing of the past, or that government can cure them would be rash indeed, or ill-informed, or poorly educated (by Keynesian indoctrination, it says here in very fine print).

### Too Late With Too Little

However, one fundamental issue seems not to have been brought up by those who comment on the Federal Reserve's action in increasing the rediscount rate to 3% at most of the district banks. And that is, how determined is the Federal Reserve to check the inflation that the Governors seem to consider to be in the making? And why have they been so long in doing it? We must remember that we had the Federal Reserve with us during World War I and its inflation, during the sharp setback of 1920-1921, during the long prosperity that was here to stay in the 1920's, during the greatest depression in our history in the 1930's and during the greatest inflation in our history (with the possible exception of the time of the continental currency of the Revolutionary War). A backward look always raises the question: Was the Federal Reserve too late with too little? And we can ask the same question now. Of course

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# Is Restrictive Federal Reserve Policy too Late and too Little?

the Federal Reserve does not have a mandate to smooth out the fluctuations in the business cycle. Its original purpose was to help the banking system in times of emergency when credit was badly needed, such as in harvest time when crops must be moved. But people expect the System to do something about smoothing out the business cycle. Not that exactly. What they want is this: When business is going along well, the Federal Reserve should not do anything to interfere. Don't rock the boat. But when the depression sets in, the the System must correct it. But by that time all the damage is done, the malallocation of resources, overinvestment here and there, overproduction in various lines, too much debt, too high costs incurred, too high prices charged. When the damage is done, the Federal Reserve is expected to come in and make everything all right again. And what does the actual performance look like? Too late with too little. The avowed purpose of the Federal Reserve's policy is to avoid the boom-and-bust combination. But it certainly has not avoided the boom part of it, and has taken only timid belated steps. How then can it avoid the bust?

### Federal Reserve Tools

The Federal Reserve has several techniques by which it can control bank credit and therefore the amount of purchasing power in circulation. Of these, raising or lowering the rediscount rate, the price charged banks for buying or lending on their (the member banks') eligible and acceptable loans, is one. Another is the power to raise or lower the minimum required reserves of member banks of the Federal Reserve System. By lowering the required reserve ratio (legal reserves, that is, the member bank's deposit in the Federal Reserve Bank of its respective district, divided by deposits), the bank frees excess reserves by which the member bank can increase its deposits by the lending process. Raising the required minimum reserve ratio absorbs excess reserves, which curtails the bank's lending power. The third technique is the open-market operations. If the Federal Reserve System buys government bonds, it issues a check to the seller, say an insurance company. The seller deposits the check in its bank. The bank in turn sends the check in to the Federal Reserve Bank, which credits the account of the member bank. Thus the member bank's legal reserve is increased. The same result is achieved with slightly different results if the member bank is itself the seller of bonds. If the Federal Reserve System is selling bonds, the member bank's reserve is reduced, and its lending power is reduced. The buyer of the bonds writes a check upon his bank account and sends it in in payment to the Federal Reserve Bank, which in turn debits or decreases the member bank's account. The fourth means of control is moral suasion, warnings to bankers and the public, but it is debatable just how effective this is.

These techniques work together. If the System desires to encourage lending, it can lower the rediscount rate, lower the minimum required reserve ratio, and buy bonds on the open market. Thus are bank reserves increased and banks' lending power increased. But this is permissive. Banks may be in a position to lend more, but they do not necessarily do it. That depends upon whether potential borrowers can find any advantage in borrowing or not and whether or not the bankers themselves feel that increased lending can be safely done.

### Having the Right Touch

However, when the Board of Governors wants to curb credit extension, it does just the opposite. It can raise the minimum required reserve ratio and absorb some excess reserves. If a bank finds that its reserves are less than are required, it must either let loans "run off" and call such loans as are callable, or secure more reserves. It can get more reserves by rediscounting eligible and acceptable loans with the Federal Reserve Bank of its district. And here the bank can tighten the screws by raising the rediscount rate and making borrowing more costly. And finally, if banks are still heedless of the Board's wishes, the Open Market Committee, consisting of the seven members of the Board and the respective Presidents of five district banks, can sell bonds on the open markets. If one of the methods is not successful, a combination of any two or of all three can be. And right here lies one of the most sobering responsibilities ever placed upon the shoulders of any group of men.

Whereas the encouragement to bank credit increase is permissive and not compulsory, the discouragement of increase of bank credit or its absolute decrease can be drastic if the Board wants to make it so. Now no men in that responsible position would willingly plunge the nation into depression as they undoubtedly could do if they were irresponsible. Having the right touch at the right time is most important, and it is doubtful if the experience of nations in central banking in mature economies is long enough yet to know what the right touch is at the right time. It is likely that no amount of experience could enable the Board to know, for circumstances are never the same as the years go by.

In our mature economies in the Western World, can a prosperity phase be so tempered that the rise in business activity can be made to taper off without a slump? There is an acceleration effect in the accumulation of inventories which comes about as a result of the eager anticipation of business men who want to participate in increasing sales. They overestimate. Similarly there is an acceleration effect in capital investment by business men who want more plant and equipment and resources for the production of goods to satisfy what they deem to be a rising demand. But in both cases, in repeated experiences in the past, they overestimate. They find greater inventories than they can sell at the prices they expected to receive. And they find greater productive capacity than the market will utilize. Inventories are allowed to "run off" while production slows, productive capacity stands idle, and unemployment ensues. Just where in this rising tide is the right place, and what is the right touch which the Federal Reserve should have? If too much is applied too soon, our human and material resources will not be effectively used, and the standard of living will be lower than it need be. But if too little is applied too late, the tapering off is impossible, and the longer the runaway is allowed to go on, the more severe and the longer will the deceleration or the slump be. Where does the Federal Reserve seem to stand in this perspective?

### Timid Rediscount Rate

One thing seems obvious to me. The actions that it has taken with the rediscount rate look to me like a slap on the wrist with tongue in cheek, a polite warning to be good. Not that this has not had some effect. It has. The complaints attest that. But look at some figures which the July, 1956 issue of the "Federal Reserve Bulletin," published by the Board in Washington, shows. (Unfortunately, a summer home does not provide the latest figures in finance, but these will do.) Loans of all member banks totalled $73.9 billion on May 30, 1956; of all commercial banks, $86.0 billion; and of all banks, $104.5 billion. Yet, discounts (or rediscounts) with the Federal Reserve, that is, the borrowings of the banks which are affected by the rediscount rate, were highest at $1.1 billion on March 28, 1956, lowest at $0.5 billion on Jan. 4, and on June 27, were $0.7 billion. Rediscounts and advances of $732 million on May 30 are about 1% of the $73.9 billion of loans outstanding on that date. At the maximum noted in 1956, discounts and advances were only 1.3% of total loans of member banks. And both percentages are much lower if compared with the loans of all commercial banks and lower still if compared to the loans of all banks.

It may be argued that this is not a fair estmate of the importance of the rediscount rate. True, it is a fulcrum by which leverage can be exerted on the whole credit structure, and a small ratio can and does have significance. But its significance must not be overrated. The rediscount rate is effective only if banks are in debt to the Federal Reserve, and an indebtedness of from 1.3% of total loans down to say 0.3% does not give the Federal Reserve much chance to exercise its authority. Surely this is more in the nature of a tap on the wrist than a spanking.

### Unchanged Reserve Requirements

What of the other techniques? By Act of Congress, the minimum reserve ratios are set. Central reserve city banks in New York and Chicago must have a minimum reserve ratio of 13%; reserve city banks, located in large cities other than New York and Chicago, must have a reserve ratio of not less than 10%; and country banks, located in smaller cities and towns, must have a minimum of 7%. But Congress has given the Board power to require member banks to hold larger reserves, with minima of double these percentages. The Board can increase the required minimum reserve ratios from 13% to 26%, from 10% to 20%, and from 7% to 14%, respectively, for the three categories of banks. And where do they stand now? As compared to the maxima of 26%, 20%, and 14%, they stand at 20%, 18%, and 12%, respectively, and have remained at these figures since Aug. 1, 1954. These rates were put into effect during the mild slump of 1954, and now in our booming prosperity, they are still in effect. If the Board really wanted to curb what some regard as a dangerous inflation, it could have raised the minimum required reserve ratios to the maximum figures the law allows, and with rising rediscount rates, could have caught the banks in a squeeze play. It has not chosen to do so. And the leeway is greater, and the raising of minimum ratios could have the greatest effects, in the central reserve cities of New York and Chicago, which are the established leaders in banking.

### Sparing Use of Open Market

A similar conclusion can be reached with respect to open-market operations. Here the Federal Reserve influences banks' reserves by buying and selling outstanding government bonds on the open market. When it buys, it increases banks' reserves, and thus increases lending power. When it sells, it decreases reserves, thus decreasing lending power. The "Federal Reserve Bulletin" of July, 1956 does not show the holdings of government bonds by the Federal Reserve System at the close of every year, but shows instead many selected dates. On Dec. 31, 1945, the System held $24.2 billion of government bonds. Between May 4, 1955, and June 27, 1956, these holdings varied between $24.1 and $23.2 billion. Between 1945 and 1955, the highest figure was $25.9 billion, and the lowest, $20.7 billion on Dec. 30, 1950. From 1952 at the close of the year, through June 27, 1956, the highest figure was $25.9 billion and the lowest, $23.2 billion. In this phase of the prosperity which has been under way since the mild slump of 1953-4, there has been little open-market activity which would affect the banks' power to lend. Here is what many consider the most effective weapon the System has, yet it has been used very sparingly indeed, and in the last year as this upswing in business has been coming to the climax, scarcely at all. Weekly figures are given for the last year, and they show variations at most of a few hundred million dollars in comparison to outstanding loans of around $100 billion.

As in the case of the banks' borrowings and the rediscount rate, the Federal Reserve is the fulcrum by which bank credit and the supply of money can be affected through the open-market operations. Yet when these two controls are so sparingly used, along with the changes in the reserve ratios, the System would seem to have failed to use the powers it could have used earlier to prevent this burgeoning prosperity. Not that the prosperity is unwelcome, but that the dangers of overdoing it are very unwelcome.

The Federal Reserve's control is exercised over the member banks, but through them it affects the entire banking system. Taking an over-all view, the loans of all banks to their customers have increased from $30.3 billion on Dec. 31, 1945, to $104.5 billion on May 30, 1956. Here is a very important segment of the inflation, this increase in money supply, spreading out through the economy, bringing higher prices and costs and higher wages, and permitting the piling up of demand upon demand for scarce resources. The criticism I have of the System is not that it is doing what it is doing, but that it should have waited so long and should have done so little, in scarcely using the two most effective means of control that it possesses.

### Is Price Rise Inflation or Result Of Inflation?

And here another aspect of the public attitude towards the credit restriction is of interest. Financial writers are freely predicting that we are in for further inflation. They cite rising wages as result of recent wage agreements, and the rising prices of durable consumers' goods and of producers' goods, as if this could continue on and on. Maybe it will. But there is another possibility. These rising costs and prices and wages are themselves the results of the past inflation, the increase in the money supply. They are not themselves the inflation, but the results of inflation. Now if this increase in money supply goes on, further price rises and wage increases can be expected. But it must be re[membered] that not all bene[fit] from wage increases, and pri[ce] increases are fine for sellers, f[or] they exclude potential buye[rs] from the markets. It remains [to] be seen whether the upward spir[al] goes on. It will if governme[nt] deficits reappear and Federal R[e]serve easy-money policies are r[e]sumed. But if the Federal R[e]serve's action really does stem t[he] tide of increase in bank credit, t[he] upward spiral ought to peter o[ut] after a few months.

### Timing of Restriction During Election Period

And one final thought. W[hy] did the Federal Reserve wait un[til] Republicans are in power and [in] an election year to take these r[e]strictive steps? Between Dec. 3[1,] 1945, and May 30, 1956, loans [of] all banks increased from $30[.3] billion to $104.5 billion, with t[he] permission and encouragement [of] the System. On Dec. 30, 195[2,] they totalled $60.3 billion, and [on] Dec. 31, 1952, they were $75 billion. On Jan. 1, 1953, t[he] Republicans came into power f[or] the first time since Mr. Hoov[er] departed the White House. B[e]tween this date and the prese[nt] the increase in loans has be[en] about one-third, from $75.4 [to] $104.5 billion. No wonder the R[e]publicans can boast of prosperi[ty,] a prosperity based in part up[on] a super-piling-up of debt of a[ll] kinds. In an election year t[he] Board of Governors decides th[at] things are getting out of hand a[nd] decides to do something about [it.] Now doing something about it [is] all right. But it should have do[ne it] earlier.

I do not know the answer, b[ut] no one can overlook the fact th[at] members of the Board of Go[v]ernors are political appointees w[ho] may or may not be well equipp[ed] by education, training, experien[ce] and judicial temperament for t[he] high position they hold.

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# Inequities in Analysis of Industrial Investments

cal application to an example of capital assets worth $1 million, scrap value of $100,000, and useful life of 10 years.

This example shows largest variation of report valuations between methods I and II at the end of the fourth year, a difference of $241,892.70! Next follow methods I and III at the end of the fourth year with a difference of $220,160 and methods I and IV at the end of the fifth year with a difference of $204,545. In each of these cases, method I is slowest to reduce original valuation of capital assets. Compared herewith, the differences between methods II and IV, III and IV, and II and III are minor: their largest variance amounts to $58,133.55 at the end of the second year, to $33,382 at the end of the third year, and to $25,671.70 at the end of the first year.

Methods II, III, and IV assure higher write-off all along than method I. So does method II when campared with method III. However, when compared with method IV, method II proceeds faster to the end of the sixth year and method III to the end of the fifth year; thereafter, method IV moves at a quicker pace.

### Three Other Methods Used

Another three important methods deserve short mentioning.

First the one of Section 168 of the Internal Revenue Code granted by the Office of Defense Mobilization through a so-called "Certificate of Necessity" for emergency facilities in the interest of national defense during the emergency period. This is actually the "Straight Line Method" above exemplified as method I, but with the difference that it fixes usable life of capital assets arbitrarily at 60 months.

Next, the "Unit of Production Method" or, in cases of depletion, "Unit of Depletion Method" which is used for capital assets whose total productive or exhaustive capacity can be established. Based on estimated total capacity, the annual write-off is computed according to units actually produced or extracted during the year. This method is very vulnerable. Determination of total productive or exhaustive capacity involves a great deal of uncertainty, far beyond that of every normal estimate. Where capital assets subject to physical exhaustion are in question such as mines, wells, quarries, woodlands, and other natural resources, the prohibitive cost or outright impossibility of accurate determination or exhaustive capacity makes this method in many cases appear as one of pure guess work, subject to repeated revisions. One example: proved reserves of crude oil of the Texas Pacific Coal & Oil Company on March 31, 1956, were simultaneously determined by three outside engineering concerns and by company engineers; these were the four resulting estimates: 75,180,000, 107,870,000, 109,160,000, and 114,850,000. A range of 39,670,000 barrels of difference!

Third, with quite dissimilar results, depletion of natural resources under the "Percentage Depletion Method" as offered by Section 613 of the Internal Revenue Code, establishing fixed annual percentages for different natural deposits and applies them not to units extracted but to gross income from these capital assets.

The practical impact of this variety of methods must be clearly understood: the higher the write-off the higher is the reserve build-up and the lower are present earnings. As a consequence, write-off and reserve accumulation will be correspondingly lower in future years and earnings will profit. A quick write-off may build up a latent reserve in valuation of capital assets and create a cushion for future earnings. This applies particularly to the accelerated method for emergency facilities under Section 168 of the Internal Revenue Code (see above). A slow write-off, however, increases present earnings and burdens future ones; it may even decisively overstate the valuation of capital assets.

Corporate financial reports usually do not indicate the methods in use of their various categories of capital assets. Even if they did there would be no way of adjusting their report valuation to the same denominator for different corporations.

In summarizing, we find that valuation of capital assets lacks in common character: that it is quite arbitrary and depends on other managerial policies applied in different ways and mostly obscured in financial reports; that various methods of computing write-offs and reserves further increase variations and impede the comparison of capital assets.

**I. Straight Line Method**

| Years | Annual Depreciation | Accumulated Depreciation (Reserve) | Report Valuation of Assets |
|---|---|---|---|
| 0 | | | 1,000,000 |
| 1 | 90,000 | 90,000 | 910,000 |
| 2 | 90,000 | 180,000 | 820,000 |
| 3 | 90,000 | 270,000 | 730,000 |
| 4 | 90,000 | 360,000 | 640,000 |
| 5 | 90,000 | 450,000 | 550,000 |
| 6 | 90,000 | 540,000 | 460,000 |
| 7 | 90,000 | 630,000 | 370,000 |
| 8 | 90,000 | 720,000 | 280,000 |
| 9 | 90,000 | 810,000 | 190,000 |
| 10 | 90,000 | 900,000 | 100,000 |
| | 900,000 | | |

**II. Declining Balance Method**

| Years | Annual Depreciation* | Accumulated Depreciation (Reserve) | Report Valuation of Assets |
|---|---|---|---|
| 0 | | | 1,000,000.00 |
| 1 | 205,671.70 | 205,671.70 | 794,328.30 |
| 2 | 163,370.85 | 369,042.55 | 630,957.45 |
| 3 | 129,770.09 | 498,812.64 | 501,187.36 |
| 4 | 103,080.06 | 601,892.70 | 398,107.30 |
| 5 | 81,879.41 | 683,772.11 | 316,227.89 |
| 6 | 65,039.13 | 748,811.24 | 251,188.76 |
| 7 | 51,662.42 | 800,473.66 | 199,526.34 |
| 8 | 41,036.92 | 841,510.58 | 158,489.42 |
| 9 | 32,596.79 | 874,107.37 | 125,892.63 |
| 10 | 25,892.63† | 900,000.00 | 100,000.00 |
| | 900,000.00 | | |

*Rate: 0.2056717, computed under the formula: 10th of 1,000,000 = 100,000. †Amount increased by $9.08 for adjustment.

**III. Accelerated Declining Balance Method***

| Years | Annual Depreciation† | Accumulated Depreciation (Reserve) | Report Valuation of Assets |
|---|---|---|---|
| 0 | | | 1,000,000.00 |
| 1 | 180,000.00 | 180,000.00 | 820,000.00 |
| 2 | 164,000.00 | 344,000.00 | 656,000.00 |
| 3 | 131,200.00 | 475,200.00 | 524,800.00 |
| 4 | 104,960.00 | 580,160.00 | 419,840.00 |
| 5 | 83,968.00 | 664,128.00 | 335,872.00 |
| 6 | 67,174.40 | 731,302.40 | 268,697.60 |
| 7 | 53,739.52 | 785,041.92 | 214,958.08 |
| 8 | 42,991.62 | 828,033.54 | 171,966.46 |
| 9 | 35,983.23‡ | 864,016.77 | 135,983.23 |
| 10 | 35,983.23 | 900,000.00 | 100,000.00 |
| | 900,000.00 | | |

*See Sec. 167 (b)(2) I. R. C. †Rate: 20%. ‡Changed to "Straight Line Method" since above would provide only $34,393.29.

**IV. Sum of the Years-Digits Method***

| Years | Fract. Rate | Annual Depreciation† | Accumulated Depreciation (Reserve) | Report Valuation of Assets |
|---|---|---|---|---|
| 0 | | | | 1,000,000 |
| 1 | 10/55 | 163,636 | 163,636 | 836,364 |
| 2 | 9/55 | 147,273 | 310,909 | 689,091 |
| 3 | 8/55 | 130,909 | 441,818 | 558,182 |
| 4 | 7/55 | 114,545 | 556,363 | 443,637 |
| 5 | 6/55 | 98,182 | 654,545 | 345,455 |
| 6 | 5/55 | 81,818 | 736,363 | 263,637 |
| 7 | 4/55 | 65,455 | 801,818 | 198,182 |
| 8 | 3/55 | 49,091 | 850,909 | 149,091 |
| 9 | 2/55 | 32,727 | 883,636 | 116,364 |
| 10 | 1/55 | 16,364 | 900,000 | 100,000 |
| | | 900,000 | | |

*Sec. 167 (b)(3) I. R. C. †1/55: 16,363.6363.

### Reserves

Common classification distinguishes between valuation reserves, liability reserves, and surplus reserves. For analytical purposes, the accepted treatment is to combine liability reserves with liabilities and surplus reserves with net worth figures while deducting valuation reserves from their respective asset.

Correct classification of reserves is often difficult and dubious.

The borderline between liability and surplus reserves is sometimes quite thin and a great deal of confusion exists. Reserves for employees' pensions and sick benefits, for unused balance of fire and similar losses, for guaranty of goods and services where expenses therefrom conform to past experience, for renegotiations, for reconversion of emergency facilities, all these reserves are often incorrectly treated as contingency or surplus reserves. When charged to operations thus offsetting inflated current profits, these reserves should properly be classified as liability reserves. Contrasting contingencies whose future birth is uncertain and which are properly surplus reserves, in all of these cases obligations are certain to arise in the future though presently not yet fully determinable in amount. Often, the accounting method of creating and maintaining the reserve through charge to operations is indicative of a liability (or valuation) reserve. On the other hand, it is characteristic for surplus reserves that they serve managerial dividend policy through retention of corporate earnings or that they fulfill legal obligations in connection with the financing of senior equities or funded debt.

### Distinction Between Valuation and Surplus Reserves

Quite uncertain at times is the decision between valuation and surplus reserves. Foreign currency holdings, inventories, investments in subsidiaries, especially abroad, may have declined in value against last year's report figure or else be subject to fear of future decline. No doubt exists about treatment of the reserve in case of actual decline as valuation reserve to reduce inflated asset values. But classification of the reserve to alleviate fear of future decline is wide open to discretion. Depending on the degree to which future decline appears probable, especially in accordance with past experience, the reserve may be classified as valuation reserves. But if fear of future decline has an overwhelmingly contingent character classification as surplus reserve may be in place.

Whether reserves are classified as liability, valuation, or surplus reserves and grouped accordingly has tremendous effect on the analytical result. Reserves are often of considerable proportions and the picture changes substantially whether they are added to equity or else to liabilities or deducted from assets. The following example may be instructive: the financial report of General Motors Corp. at Dec. 31, 1955, presented among its reserves a "General Reserve Applicable to Foreign Operations" in the amount of $141,667,396! The analytical picture is entirely changed depending on whether management's procedure is followed and this reserve classified as valuation reserve applieable to investments outside the United States and Canada, or else as surplus reserve.

Lack of uniform treatment and considerable uncertainty in analytical evaluation of reserves are apparent from the above. Difficult considerations and very fine points enter at times. Differences in classification and grouping have profound effect on ratios and other analytical results, especially in view of substantial amounts frequently involved. To complicate the situation further, the material needed for correctly understanding and solving the issues is seldom presented in corporations' financial reports.

### Conclusions

The great variety of financial principles and methods applied to important items of corporation reports with the effect of substantial differences in analytical results, does not permit comparison of financial reports of different corporations at their face value. The analyst's task becomes that of a meticulous investigator to ascertain identity, similarity, or discrepancy of principles and methods employed by different corporations in identical or affiliated industry groups. Where principles and methods differ widely the analyst is faced with the burden of either reducing, if possible, the differences to a common basis or else of evaluating them. Either is often an almost Herculean task.

There are definite steps that should be undertaken to protect the investor from the multitude of principles and methods in corporate statements of industrials that render financial comparison hazardous or outright impossible and often make analytical opinion a mere guessing game. Laws should be enacted that authorized special commissions, industry associations, or any other authority suited to establish uniform rules and regulations for report principles and methods, applicable to every corporation in the particular industry group. These rules should not affect corporate tax accounting nor methods of keeping books and records nor financial reports for management purposes. But the investor, that means the public, as majority owner of the various corporations should receive financial reports in identical or affiliated industry groups on a uniform basis that facilitates financial comparison of different corporations with a degree of certainty.

## Phila. Secs. Assn. Elects New Members

PHILADELPHIA, Pa. — At a meeting of the Board of Governors of the Philadelphia Securities Association, five new members were elected to membership in the Association. The new members are: H. Reeve Derrickson, Walston & Co.; John A. Thiers, Janney, Dulles & Co.; Robert G. Rowe, Jr., Paine, Webber, Jackson & Curtis; Walter D. Fixter, J. W. Sparks & Co., and Herbert A. Truckses, Studley, Shupert & Co.

Orrin V. Boop, Secretary, announced that the annual meeting of the Association will be held on Jan. 10, 1957, at the Barclay Hotel.

## Rogers & Tracy and Taylor Co. to Merge

CHICAGO, Ill. — The firms of Taylor & Co., member of the Midwest Stock Exchange, and Rogers & Tracy, Inc., will be merged effective Jan. 1 according to announcements by William L. Taylor, Jr. and Ralph S. Longstaff. Mr. Longstaff will be Chairman of the board of the new organization and Mr. Taylor President. Announcement of the new name and location of the combined firm will be announced later.

### Mid Continent Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—John J. Glennon has become associated with Mid Continent Securities Corporation, 3520 Hampton Avenue.

### With Dietenhofer Firm

(Special to THE FINANCIAL CHRONICLE)

SOUTHERN PINES, N. C.—Elston A. Garrison is now with Dietenhofer and Heartfield 670 Southwest Broad Street.

### Joins W. E. Hutton

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—M. Alfred Heck is now with W. E. Hutton & Co., First National Bank Building. He was previously with Westheimer and Company.

### With Reserve Investment

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Clarence L. Smith has been added to the staff of The Reserve Investment Company, Dixie Terminal Building.

### Joins Donald Sloan

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — Harry E. Moore has joined the staff of Donald C. Sloan & Co., Cascade Building.

*Continued from first page*

# As We See It

is certainly a possibility that in time it will create a radically different world situation.

Nor does the Kremlin's path in Asia and Africa seem to be as smooth and unencumbered as it appeared to be only a few weeks ago. Despite all that has been said in Moscow about Egypt's rights in and about the Suez Canal, it may well be questioned whether the Kremlin would have had Colonel Nasser enter upon so rash a course as he has chosen. Nor is it likely that the Russian leaders are eager to go to the lengths in support of the Arabs that would be required to maintain the standing that they have been trying to achieve in the East. No one, of course, can tell where all this Middle East business will end, but it will have to take a rather different turn if it is to be of much benefit to the Kremlin—other than to produce, or possibly more accurately, to reveal a rift in the so-called Western powers.

### Domestic Problems, Too

At home, too, very real problems await. There have been—it is more accurate to say there had been—substantial reductions in the outlays of the Federal Government after the present Administration took office. Spending, which totaled some $74.3 billion in fiscal 1953, came down to $67.8 billion in the following year and to $64.6 billion in 1955. This is not nearly so far as they should go, but it marks a very commendable record for only two years. But by fiscal 1956 outlays were back up to $66.4 billion, and the most recent estimate of the government for the current fiscal year places them at $69.1 billion. The greater part of the increase in this year's estimate appears to be in the largesse to be handed out to the farmers, but there are other items that are on the increase and other plans for huge spending that do not appear at all in the budget figures as yet.

Somehow, someway, we as a nation must find ways and means of not only halting this newly developed upward movement in budgetary outlays, but of reinstating what appeared for a time to be a downward trend in the budget figures. And we must not be slow in getting at it. As we have heard over and over again during the campaign, this country today is enjoying the largest volume of business it has ever known, larger, in fact, than had been imagined but a very few years ago. The income of its citizens is at a record high. If at such a time we must have a Federal budget of nearly $70 billion in outlays, and can manage a surplus of no more than some $700 million, what can we expect when, as will certainly happen at one time or another, business activity and the general level of economic welfare decline appreciably? Are we on the way to an acceptance of the New Deal notion that an astronomical national debt is of no concern, and that further and repeated increases in it are quite in accord with national welfare?

The economic pace that we are setting and the degree in which we are operating with borrowed funds throughout have placed our financial resources under serious strain. As a people we want to spend substantially more than we earn. During recent months the Federal Reserve System has steadfastly refused to substitute its created funds for inadequate saving or to create funds with which to supply the commercial banks with reserves which they in turn could use for such a purpose. Many of the commercial banks have so extended themselves in loans to business that they hesitate to go much further on the basis of their present volume of capital funds. In these circumstances, a Federal Government that is vigorously reducing its outstanding debt would serve to ease a situation that threatens to be distressing. A government which, on the contrary, enlarges its debt would greatly aggravate that state of affairs. Steps taken by the Reserve authorities to ease the situation by pouring created funds into the market would invite very serious consequences.

### Those Securities Acts

At such a time as this, when business enterprises are in dire need of finding capital and when it would be greatly to the advantage of all that they do so by means of the sale of equity securities, can we afford longer to endure the handicaps and encumbrances that the securities laws place upon the markets where corporations must seek the funds they need? In other words, have not conditions now arisen when we can no longer afford to postpone realistic reconsideration of these New Deal monstrosities which the excesses of the 'Twenties and the fervor of professional reformers foisted upon us?

The answer seems perfectly clear to us. These matters were not even mentioned in the campaign oratory so far as we are aware, but now that we must face the future in a realistic way in the absence of the tumult and the shouting, we should do well to turn to them in the utmost seriousness.

Events abroad suggest that we must think rather carefully about the future of the United Nations, and possibly revise our assessment of it as a means for influencing the various members of the world community. The Kremlin has never felt it necessary to pay it more than lip service. Now both Britain and France have treated it with contempt. If the organization is to attain a place of real influence despite all this, something will have to be done to revise it. If that can not be done it may well share the fate of the old League of Nations. And should we not now undertake an agonizing reconsideration of our whole foreign aid situation? Not to do so, would leave us open to the danger of being "played for suckers"—if indeed some such fate has not already overtaken us here and there.

The election is over. Now let us get down to business.

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*Continued from page 15*

# Career Opportunities in the Securities Business Discussed

company and its management, so that we can decide whether or not we want our name attached to the security that the company offers to the public; and secondly we wish to protect ourselves in view of Section 11 SEC Act, civil liabilities, which states that every underwriter shall be liable for the total amount of the security which he underwrites. The basis of this is that if any omission of a material statement or an untrue statement about the company's business or operations appears in its registration statement and people buy securities based on that misrepresentation, then you are liable for the securities purchased by them at the public offering price. Thus, your investigation has to be thorough in order to determine what the material facts are before you can make a decision as to whether any of them have been omitted or not.

As a participant in a security issue which is managed by another firm, your underwriter's liabilities remain the same, but we rely on the managing underwriter to make the major investigation. However, we m a k e a reasonable investigation w i t h whatever facts are at our disposal.

In the third category are projects which are not necessarily suggested by any company or, in many cases, even known to the company. They are the result of independent and original thought and cover such things as possible mergers and the terms of such mergers, refundings and recapitalization, and include the purchase and sale of oil and timber properties, sale and lease-back of oil tankers, airplanes, filling stations and retail grocery stores. In addition, they include acting as agents for companies in merger negotiations, providing corporate financial advisory services to corporations and testifying for companies as financial experts before Federal and state commissions, such as the FPC.

Many of these projects which are the result of your independent thinking never reach fruition, and normally the investment banker is not compensated unless the transaction which he suggests is consummated, but the rewards for completing an ingenious transaction can be very respectable.

With this brief outline, I think you can see that buying department work covers most of the classical investment b a n k i n g functions and provides the individual with an opportunity to do a great deal of imaginative and creative thinking. As an example of the type of work which requires considerable creativeness, solving recapitalization problems, where you are trying to get rid of arrearages on securities or trying to eliminate non-callable securities from a capital structure through an exchange of securities is a real challenge and one which the buying departments of investment banking firms are wrestling with all the time. Or consider the case of a company where the stock is closely-held and the management wants to sell some of that stock to the public, but they wish to retain absolute control. Should the stock that they sell be limited voting or should it be non-voting? If it is either one of these, can it be sold in the important states? Can it be listed on security exchanges? The best example of this type of a situation, of course, is the Ford Motor Company, which for a long time was held by the Ford family and now is in the hands of the public. However the Ford family at the present time still retains absolute control by retaining 40% of the voting power.

Not only does buying department work occasionally provide the individual with an opportunity to make some money, but it is also extremely interesting and educational work for several reasons. In the first place, much of the work, is the result of original and independent thinking and there is considerable satisfaction to be derived from seeing your ideas documented in final form. You are exposed to many companies and many industries and have a better idea, as time progresses, as to how our economy functions. Each problem that you are confronted with is a different problem so that you are constantly being forced to utilize your mind and your creative ability, and finally, you have an opportunity to work constantly with top-level people, not only in companies which you are financing but also in your own organization, which is somewhat unusual and opposed to the general experience of working for a large corporation.

I think that there are unusual opportunities today for people in buying department work. Largely as a result of the stock market crash and resultant investigations, few people looked for jobs in Wall Street between the early 'Thirties and the end of World War II, and consequently today there are significant age gaps between the people at the top and the people who are starting at the bottom, and considerable opportunity has resulted from that for the people at the bottom.

Today in most major investment banking firms a substantial majority of the partners are associated with the buying department. In our particular firm over 80% are, and it follows from that that the more people who are at the top in the buying department means ultimately that there are more jobs available at that level. Contrary to the situation in industrial corporations where there are only a limited number of top positions, such as the treasurer or the financial vice-president, I believe the situation in most investment banking firms in Wall Street is one of considerable flexibility in that positions can be created—partnerships or vice-presidencies—without too much trouble for the person who demonstrates u n u s u a l ability. While the person may look upon buying department work as his life's work, I think it shouldn't be overlooked that while working in the buying department he is establishing a foundation of background and experience which will fit him well for a possible position in a corporation as a financial officer.

I can't resist suggesting a recommended reading to an academic group such as this. If you want an excellent description of the investment banking business and an intimate historical picture of the operations of most of the major firms, I suggest you read Judge Medina's opinion on the investment banking anti-trust case entitled *The United States of America vs. Henry S. Morgan et al.* I think you will find it very worth while as would your students.

* * *

**By PETER PHILIP**

**W. H. Morton & Co., N. Y. City**

Before explaining why I feel a career in the municipal bond business offers an excellent opportunity, I would like very quickly to define what I consider some of the basic differences in the municipal business from the rest of the securities business.

In the first instance, the term "municipal bond dealer" is somewhat of a misnomer. We actually deal in obligations of states and political subdivisions of states. There are general o b l i g a t i o n bonds based on the full faith and credit of a city, town, school district, etc., or there are revenue bonds supported by an earning facility and paid from the revenues thereof.

In the next instance we depend upon the exemption from Federal income tax and therefore can offer our securities at a considerably lower yield than corporates or other taxable bonds. Municipals appeal to a different type of investor, one who is in a high tax bracket, often an institutional investor.

Thirdly, municipal issues generally mature in serial amounts over a period of 20 years as compared with corporate issues that are all due on the same date. Large turnpike issues are term issues due in the same year with the same coupon, but the bulk of the municipal new issues are serial loans. Because of this serial nature in the main part of our business trading is done on a yield basis rather than talking in dollar amounts of what a bond is worth.

In addition to this distinction municipal issues are subject to competitive bidding rather than negotiated sales which might be the instance in large turnpike isues. Just as a matter of interest. brought with me a copy of our rade paper, "The Daily Bond uyer." This is our daily paper. he State of New York would dvertise on one of these pages e fact that it is going to come to the market with $50 million bonds and syndicates historical nature would be formed and hen put their bid in on the date pecified.

I think those are just briefly e highlights that might be a ttle different in our business om the rest of the security business. Otherwise the talks you ear, or have heard, on the synicate work, the trading departent, the selling end, are all ound in our business also.

Now, the main reason why I eel that a career in the municipal usiness is such a beckoning opportunity, can be explained imply on the figures of dynamic rowth which can be shown. rom 1921 through the 20-year eriod up to 1941 the volume of ew issues that came into the unicipal market of tax-free onds, was very little over a billion dollars each year. It varied rom a billion even to maybe $1.2 illion, but it was fairly steady at bout a billion dollars in new issues each of those 20 years. Then uring the war years—in 1942-3--5 volume fell even below the illion dollar a year level. It was own as low as a half billion ome of those years. After the ar with the tremendous backlog f public improvements that were eeded, schools, bridges, roads, ll of which were deferred during he war, our new-issue volume tarted to really expand. In 1950 t got as high as $3½ billion, and hen in 1952 we had the beginning f the bonus issues, the war bonus ssues like the Michigan Veterans nd Illinois Veterans, and other arge, veterans' loans. It went as igh in '53 as $5½ billion worth f new issues. In 1954 we had hat is known in our business as he "turnpike year." It was found hat the Jersey Turnpike and the ennsylvania Turnpike—the rand-daddies — were behaving vell and every state began to look t their own traffic lanes as to whether it would be feasible to uild their own turnpike, and as result there were almost $7 billion of new issues in 1954.

By 1955 some of the turnpikes n West Virginia and Ohio were ot doing quite so well, so the usiness lost some of the turnpike nthusiasm and new issue volume ropped down to $5½ billion, which was still a very, very hefty lug of bonds. This year the output is running just about the level f 1955. The figures show that hrough August of this year newssue volume is just 4% higher han last year.

Another way of stressing this remendous volume that we are ncountering is to look at 1946. he total outstanding amount of ax-free bonds in 1946 amounted o only $16 billion. Today it is lmost three times that. Total outtanding today $43 billion (that is s of the end of last year, 1955). n that same period United States overnment debt increased some 13 billion to a grand total of oughly $270 billion.

Those figures, I think, certainly escribe the tremendous growth he industry is encountering. You an see that in another way in he fact that several decades ago he number of Wall Street firms, r firms throughout the country, ngaged in municipal bond operaions either as a separate depart-ent or solely devoted to municial bond business, numbered only few hundred; today there are ver 900 firms throughout the ountry engaged either solely or s a major function of one of their epartments in the municipal ond business. I can only think f two major firms who do not ave a municipal bond department—and both of them happen to be represented on this panel.

Beyond the growth that we have already seen, the future, I feel, is fairly well assured. In a way we are almost a depression-proof industry. If the economy of the United States, after its recent tremendous growth, should stop for any reason, one of the most obvious ways of stimulating activity would be to build more roads, more schools. On top of that we have a tremendous surge of population that is just reaching the high school level now, and when they get through high school and through college, we will need more schools, more power plants, every type of public service which has to come into the municipal market to be underwritten.

In summary, I think the tremendous supply of new issues assures a very fine opportunity at whatever price level may be decided. Regardless of where yields arrive, the bonds have to be sold, so I think there is a guaranteed supply, and as Mr. Schaenen pointed out about the future for a young man in our business, it is true of the municipal business, where the older generation probably began in business before the depression and there is a noticeable gap between their age and the younger men coming up.

As soon as a man has learned the municipal language and the tools of his business and proved his selling ability there is a direct step up to real responsibility.

Finally, the recent sharp change in money rates, makes municipal bonds, in the opinion of an earlier speaker, the cheapest they have ever been when you take into account the tax feature (and this offers a man in the municipal business a wonderful selling point) to be able to go out and say to the investing public, "There are many of you who would not consider municipal bonds heretofore, but they are at a new level now and you have to start looking at them." So that requires new education for the investing public.

So I feel sure in saying that the future in the municipal business is quite bright.

* * *

**By LEE PRATHER STACK, JR.**
**R. S. Dickson & Co., N. Y. City**

I am to talk on selling, and I believe in selling. I think selling is inherent, not only in the securities business, but in every business.

Webster gives several definitions—one that I think is good is, "transfer of property for a valuable consideration," and I think he is darned right as pertains to our business because money is involved and to me that is pretty valuable.

L. P. Stack

There was another one, "deliver into bondage," and don't think that hasn't happened in our business. Some very valuable and fine collections changed hands in 1929 as a result of someone being delivered into bondage.

But I think the definition best suited to our business is, "present a proposal for consideration in a way as to cause acceptance." Now, that doesn't pertain only to the sales department. We are all selling. The boys in the research department—they must sell their own sales department first, get them excited, and convinced of the value of their advocacy. You have got to have your salesmen believe in a security before they present the proposal for acceptance to customers. Your buying department—they have got to sell a corporation an idea before that corporation will retain your firm as an underwriter of their securities. "This is best for you," and it has to be sold in a way that will keep the corporation on your side or one of your competitors will be in the side door there pretty darned quick. We are all selling.

We have to practice selling among ourselves within the industry before we go out and try you hard-hearted retail buyers, and we do; we have to. We have to sell Bob Baldwin in the Syndicate Department of Morgan Stanley on the proposal that our firm can distribute a particular security. We have got to sell him on that. He has to accept our proposal if we are to participate in that underwriting. So we sell each other first; then we go out where it is really tough sledding.

On an over-all basis, then, the above-mentioned process makes us a merchandising operation and that observation in no way detracts from the importance of various other departments; they are all interdependent and no one department can survive long without support of the others. Therefore, from my point of view, we are merchandisers, and I am going to confine my remarks primarily to the sales organization.

Now, I believe that you gentlemen are probably most interested in hearing what is involved in securities selling so that you can better answer students inquiries. I cannot promise that everyone who comes down here gets rich as a salesman. That is not true at all. It is tough going, but there is a tremendous opportunity, and it is limited only by the individual's initiative. That is the only limit to sales there is, and, as was mentioned earlier, there will always be room made at the top of any firm for anyone who can bring in the business. There is no limit on partnerships or vice-presidencies. But it is like most other jobs, it is work.

The halcyon days of the 'Twenties are pretty much gone. The Yale, Harvard or Princeton graduate, as I understand it, could come down here, learn how to fill out an order pad and hit the pavement and that usually meant the golf courses and the cocktail parties — and we all saw what happened. The abuse of credit, lack of research, and violation of good faith was not a very enlightened approach to selling.

Today, salesmen are much more enlightened. I don't think many salesmen are put out on the road until they have had at least a year under their belts within the firm. It usually involves working in the research department, buying department, the cashiers cage, etc., so that a salesman is a pretty well-qualified person before he goes out to sell securities today. That is definitely true of the people selling to institutional investors. The qualifications for salesmen are being upgraded constantly by the individual firms and their National Association of Securities Dealers so that he is more responsible, better controlled and more stringently regulated.

The securities industry furnishes a broader line of merchandise today than ever before. Peter Philip has mentioned the advantage and the attractiveness of tax-exempts. Our tax structure has introduced an entirely different approach to the field of investment, I think, for the individual. We want capital gains but we also want some tax exemption if that is the most rewarding and advisable type of fixed income suitable to ones needs.

That presents a very broad field for an alert salesman. He is not just out—or should not be—trying to stuff securities in people's pockets and collect the check. He should recommend securities to suit their needs and help them in selecting the same. He has preferred stocks, which, for numerous institutions, are very desirable, because of a very low effective tax rate paid by them on preference stocks. The effective tax rate on preferreds for a corporation works out to 7.8%. They only pay taxes on 15% of intercorporate income and preferreds, because of liberal yield, suit numerous institutions in this category.

Corporate bonds suit another type of investor. I daresay you have had all this so I will brush right on over it. Pension funds are now great buyers of corporate bonds. A few years back the corporate bond market was in trouble. If the insurance companies pulled out of it and went into mortgages and had enough private placements and lease-backs, your corporate bond market was in trouble. Now you have more stability as a result of growth in the pension funds, and also balanced mutual funds, and common trust funds.

I have also mentioned institutional sales—we call it wholesaling — and there are individual sales, which we call retail selling. Now, there are some firms that have even gone so far as to hire retired policemen to get out and pound the pavement with mutual funds. There is this everlasting attempt on Wall Street to broaden our market.

There are some figures here briefly showing the potential market that I shall mention in a minute as an example of our efforts to reach an ever-increasing market.

We need salesmen, and we need good ones. It was mentioned that in the 'Thirties no one came down to Wall Street, or very few people. Fathers who have been in the business discouraged their sons from coming down here. My father advised me not to come down here. There are firms today owned by people who refuse to let their sons come in the firm, and in some cases it is getting pretty drastic. There is no one to take over, to represent the capital that the family has in the firm. There are other firms where older partners are pulling capital out to liquefy their estates. We need good people down here.

After the second war, there was a big influx of good college graduates. They were going to make a million dollars in about two years —and a good percentage of them left before that. It is not easy. They didn't go out and make a lot of money selling. They got discouraged and left.

The same thing happened after the Korean—"police action." It is not proven out yet, whether those boys are going to stay. I think the record would indicate a degree of stability occurring. Each time this survey is made fewer and fewer are saying they are undecided or they are going to leave the business, and I think some of these other factors mentioned are a part of that. They are getting better training. "Security benefits" have been instituted and are offered in the form of pension plans, profit-sharing plans, and hospital plans. Over and above those benefits the opportunity is unlimited. There is no limit on what anyone can make if he wants to make money down here as a salesman.

To get around to this expanding market, or attempt to expand it: the New York Stock Exchange in a recent survey found that only 23% of the adult population of this country could describe what a common stock was, and within the descriptions accepted there were some pretty hazy definitions. So there is a lack of knowledge on the part of the public, I think, as to just what our industry and particular securities are all about. And that there is a lack of interest is evidenced by a Federal Reserve Board survey which, for several years now, has been asking consumers with income of $3,000 a year and over what they would best like to do, or what they thought most advisable to do with these excess earnings over savings and life insurance expenditures. In 1949 only 2% of those people had any desire whatever, or thought it advisable, to go into common stock. Between 1951 and '55, that was up to 6%—of course we had same good markets then and I guess the word gets around —but 6% is still a very low figure for what we think of as the most enlightened country in the world.

A recent census of stockholders by the New York Stock Exchange showed that ownership today is in the hands of approximately 8,630,000 people, and I think it is definitely increasing. Now, that amounts to only about one out of every 16 adults—or you can state it in terms of family units; one out of 10 family units own common stock. So you can see we haven't begun to scratch the surface in retail selling.

We can also argue and show that the small investor is not a profitable customer which is no doubt true. We have increasing costs and diminishing profit margins and the rest of it, but so have the grocery merchandisers, so have the dry-goods merchandisers. We have got to find a way to reach those people and do it profitably. Now, whether everyone in America should own stock or not is debatable. I am not going to go into that. Irving S. Olds has inferred that it would be the millennium, if everyone did own stocks. It might be, and I will not argue the point. Our job is to increase the public's ownership participation in common stocks and if we can increase that participation a few percentage points each year I think we are doing well. We have a big job to do in educating the public and presenting a proposal for acceptance.

As to actual sales or selling on Wall Street, I hate to dwell on the actual cash involved, because as I say it is unlimited, but look at it another way. Selling can be a stepping stone. If you are dissatisfied in it, if you are not making all this big money you have heard about, you can be selling yourself to an institution on whom you are calling, and there is an awful lot of that down here. I would say the majority of your institutional investors were originally salesmen or came out of Wall Street, and I think today the trend, as these gentlemen have mentioned, might be, more towards research men or buying department men, but there is still a chance for the good salesman if he prefers to be on the other side of the fence.

As for remuneration, it varies—and I heard a very disturbing thing last night. I wish I was on the other side of the table and could ask you gentlemen about it. Here is the kind of competition I find we are up against, and I will give you the figures our fellows start at. I heard that some industrial company officers who are going around recruiting promising students are finding a very competitive situation. Recently I talked with a man in one of the biggest oil companies and he was almost at the end of his rope. Other fellows had beat him to these prospects and he has run into cases where students were being paid a half salary their senior year, and then start at $6,000 a year upon graduation. Now, I don't know if that is true or not, but, it is tough competition for us. We can't offer that compensation to start a boy nor can we pay that until it is warranted. But I submit that our rewards can be greater if an individual will apply himself.

Starting salaries vary, and, as I say, the new trainee, the salesman, has got at least a year to put under his belt before producing his salary. The firms down here, I think—and I have made

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# Career Opportunities in the Securities Business Discussed

a canvass of a good cross-section of them—you can say start the neophyte around $4,000 a year. Now, that varies, one, with his education: is he a BA student, or an MA student, or a graduate student, or what? Is he married? How many children has he got? What does he need to get through that first year?

You can vary it another way. You can start them out at a lower amount and make more frequent salary increases which helps maintain the individuals interest and faith in himself. And then your bonuses, of course, at the end of the year can be a very large factor here on Wall Street. In bad years they are a very small factor, too. I would say the average starting wage in New York is around $4,000, and you could bracket it, I think, in these days, by saying $4,000 to $4,500.

Now, what can a fellow make? There is a case of a fellow, he is not in New York, he is not with a New York firm, who at the end of his second year had netted after all expenses and everything else, $75,000. Those are few and far between, but that is what I mean when I say that there is no limit on what a fellow can make down here if it is money that he wants, and I think most of us did come down here for money.

There is one interesting thing I would like to mention before concluding. We are in a changing business. Some of it has been mentioned here, the volume of various securities, the evolution of these different departments such as buying and research, and we are still looking for change. Now, this monthly investment plan is another attempt—we don't know whether that is measurably effective yet or not or just what contribution it will make to expanding stock ownership, or how rewarding to the salesman, we don't know, but we are trying it.

There is one other thing on the horizon that I think for the salesman, could be, the greatest merchandising opportunity in our time, and that is the variable annuity. Now, I am not saying whether it is right or wrong and there is a lot of controversy about it between different segments of the industry. The mutual funds, of course, are opposed to it because it would give them a good hard knock on the head. NASD, our National Association of Securities Dealers, is opposed to it. Some life companies are for it and some are opposed. (It is pretty amusing. If you get out a bunch of manuals and make some cross checks, you will find out why most of the insurance companies are opposed to it. Usually the president or the senior financial officer is a director or trustee of some big mutual fund, and if you look out what they have got to say in a year, you will find out that there is going to be a stiff argument there.) But if the Prudential gets that variable annuity through the New Jersey legislature the rest of these life insurance companies are going to fall in line and also offer variable annuities. That is going to be a tremendous stride towards—I won't say defeating, but at least hedging against the inflation we are having and probably will have.

The insurance industry has almost a quarter of a million salesmen. We in the securities business have less than 25,000 salesmen. If the insurance industry were to offer an annuity secured by equities, consider how many security salesmen or knowledgeable investment people the insurance industry is going to need. Their sales force is 10 times ours and you cannot train your whole force—in this case a quarter of a million salesmen—in a short period of time. Now, the fellow with securities sales knowledge, if he wants to jump over to the insurance industry there is a fabulous opportunity. It is nebulous, it is controversial, we don't know whether it will happen, but it is a distinct possibility.

I hope I have not misled anyone as to what can be done down here. I don't want you to think it is easy. I think the best story I have ever head about a salesman who was having tough going was: a young Princeton boy, I think it was, came down and he called on this bank president year in and year out. The bank president was always very friendly, but whatever this fellow told him, no matter how fresh the news, the bank president thanked him very much, he appreciated it, but he had already heard it. So one day this fellow called him up and said, "Mr. Jones, we have just learned this. I think we are the first people to know it, and I want to pass it on to you," and he told him this long, involved story. Mr. Jones, as usual, was very polite. He said, "Well, thank you very much, but I have already heard it."

This salesman said, "You are a darn liar. I made it up." I hope none of you think I made this up. I assure you I did not.

* * *

**By ROBERT BALDWIN**
**Morgan Stanley & Co., N. Y. City**

Syndicating involves dealing with investment firms all over the country and therefore in discussing the opportunities and conditions in our work, I am going to try to cover briefly the nationwide situation.

Robert Baldwin

It has been mentioned at this table, and I think by now you have had the gap in age-groups pretty well described occasionally the depression in the 20s, and the World War in the early 40s concluded by the influx in 1946 of a large number of young men of which I was a part. This was followed by a drop-off—the fellows that you saw leaving one day for this industry, and another for another industry, and so forth. I happened to be in the buying department at that time and can testify about the value of getting your training there. The number of people I saw come through there was amazing in the five-year period. There was a second influx that came in 1950, and anybody who hopes to make Wall Street his lifelong objective is delighted when you see good people coming in behind you.

I don't know whether it will last, whether these new courses will stay. The market since 1950 has been rather exciting. Stocks have been going up. It has meant profits for almost everyone. Part of the selling job of local firms all over the country is to sell the syndicate men of the large originating firms on the distributing ability of their firms. The senior members of these firms talk about the number of young men they have taken on, but as you sit there and talk to them, they do worry about whether the younger men will stick when the going gets tough and you don't see stocks jumping 2, 3, or 5 points a day suggesting obvious chances to make money.

Perhaps the best way to put it to you is to describe the first IBA convention that I went to back in December, 1952, shortly after I joined the Syndicate Department. Dealers from all over the country get together down there and some of the people you meet and talk with are men with whom you have been talking on the telephone all year. We do so much of our business on the phone, particularly in syndicate work, that it helps if you know what the other fellow looks like and have a feel of each individual man. We went down there—I think there was a group of about 20 younger fellows. I would say all of us were in our early 30s, and for the first two or three days all any of us heard was, "Well, how nice it is to see younger men coming down here." After about two or three days we got bored with this line of talk so we got together, a group of us, and had dinner one night. We called ourselves "The Sandbox Set," just to make our point with the older generation.

On the other hand, last year there were a few of us who had originated the group in 1952 discussing the question as to whether we would continue the party in 1955. There were so many younger men down there who qualified by being under 40 years of age that we just thought it would be impossible to carry on because we didn't have a big enough room to hold the gathering. I believe this indicates not only the number of men who are coming into Wall Street, but also the ones who are shoving up into what I think are responsible positions for their firms spread out across the nation. They are representing their firms in New York with syndicate people in the various originating firms, who—in a sense are their lifeblood, because they supply the new securities which the local salesmen can distribute to their customers.

It is quite interesting if you go back and look at underwriting groups back in the late 30s, or as late as right after the war, 1946 and 1947, and then look at them today, and you will see the vast changes which have taken place. Firms have come up and become major underwriters. Others who were well known in those days for various reasons have gone down. You hear each and every day of various mergers. For example there is the recent Eastman Dillon, Union Securities merger. This is going on all the time. There is continual change, with firms surging forward and on the other hand firms dropping back, and part of it definitely is related to the young men they can attract. I think in New York it can be said that the largest number of applicants will go to the larger firms where they know they have training programs. Morgan Stanley does not have a formal program, but we do see a large number of young men each year who come through fresh out of college. I have been in a position where I have interviewed many of them, and in recent years there have been top-notch ones from a variety of colleges and they are coming from all over the country now. There are certain advantages to these training programs because a man goes through a 12 to 15 months course, sees all sides of the business, and then in a sense he decides and the firm will also decide what he is best suited for and what he likes the most. There has been the problem of a large turnover in these trainees and as a result it has taken some of the bigger firms, who can stand this expense, to go ahead with it and come out with some top-flight fellows. The smaller firms are faced with this problem of not being able to give the men the broad training and there is the problem of the financial drain of this training. Firms find that once having trained the young men, the latter will receive many attractive offers from other financial houses. This is particularly true outside of New York where you will have four or five very good firms in a city, a man will get trained and all of a sudden another firm will take a pot shot at him, offering a little higher percentage or something similar, so there is some discouragement in this. However, certain firms avoid the problem of training their young men by sending them to New York to their correspondent houses, or to firms with whom they have close relationships.

Speaking of the problem of relationships, in the 20s and the early 30s a lot of people were starting out with their own firms—I think our industry has become a much more mature industry. I think this change has happened over the years for whereas our industry was a young industry run by relatively young men in the 20s, it is a mature industry with a mature group of leaders at the helm. But it does create a problem for new firms coming into our industry. We all recognize it.

Any person who is working for a small firm will tell you about the hard-hearted syndicate men who won't give them participations in their underwritings, but it is quite interesting to see the relationships that have grown up over the years with some of these firms from all over the country. I was asked to look up the record of one particular firm to give some sort of a tribute to a senior partner, and I found records that went back—that he has been calling on our people since 1924. Now, when you have been doing business with a man since 1924, he has been in issues and taking them good, fair and bad, and working hard for you, you do build up a sense of stability. However, on the other hand, there have been a number of new firms that have come along and with their younger men in the firms; they have created quite a position for themselves and they are always pressing ahead.

I think the fascination of Wall Street has already been mentioned. I just want to point out that to be successful a person has to follow all phases of industry, the money market, foreign affairs, because any one event can influence how stocks are going to be or when an issue is going to do well. We had an underwriting in 1950 of a company called Spencer Chemical Company. It has grown considerably since 1946. We signed an underwriting agreement just the day before the Korean War was entered into, and so you can imagine that that had a great effect on our ability to sell that particular stock. It has also been mentioned, a very important thing, the close relationship in which you work with men of extremely high caliber. The top men in Wall Street now represent the cream of the young men who came out of college from 1915 to 1929, and the nature of our firms is such that necessarily you work very closely with each and every one of those gentlemen. In our firm we always form a team to work on every issue. In other words, a partner and a senior statistician or analyst, will work together and they will have one or two juniors who will go along no matter where they go to sit in with company officials, usually the company financial vice-president or the treasurer and the secretary and legal counsel. There is no better way to learn than to be sitting in with that caliber of men.

And one of the other things that is a pleasant fact in our business, you see people coming up—you might say, popping their heads up—young friends of mine whom I knew at college or whom I have met since I came into the business, have come into syndicate work all over the country and are now calling on us. They are the type of people that you not only enjoy doing business with, but also enjoy having as true friends for a period of years.

I do want to bring up one thing that I think Wall Street is suffering from, namely, the crash hangover. As I have gone around the country you find that a lot of the young men coming into the business since the war are the sons of men who are now in the business or closely related to it and who know something about what is going on. Some way the word is not getting over how attractive a career down here can be. I think it is coming across more than it was for a long while, but I know in my own case I never really appreciated how interesting this business could be. My wife swears she would get me out of it if I didn't enjoy it so much because there is quite a bit of pressure involved in our work. However, I think that there is something you gentlemen can do to stimulate the interest of these men who are thinking about future careers. The stimulating side of investment banking does exist, and the story should be gotten across to students as well as the theory of corporation finance.

In the buying side of our business in addition to the regular new issue business there are the problems of setting up oil payment deals, working out mergers, etc. If the interest of young men can be awakened to realize what is going on in Wall Street, I think that they will look more and more to Wall Street as a possible career.

For example, in my own case, I have a young nephew who was 15 last December, and I bought him one share of stock for his birthday and one share of stock for his Christmas present. They weren't very expensive, but I picked two stocks, one in the electronics industry and one in the aircraft equipment industry. The one in the aircraft equipment industry I picked because they had a wonderful public relations program. Well, he has gotten various reports from the company, and a quarterly dividend check, and he follows the prices of these stocks in the financial pages of the paper. I think it has sparked an interest there that will continue for many years.

I must say, however, drawing from my own case, that when I came down Wall Street, I had no money to invest, I had no background in banking, and, quite frankly, it wasn't the field that struck me or that was impressed upon me in college. After 10 years in investment banking, I have found it to be a stimulating experience which has been rewarding both financially and intellectually. I only hope you gentlemen will be able to stir the imagination of our college graduates to the point where they will consider our industry.

### Joins Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Franklin M. Pugh has joined the staff of Bache & Co., 36 Northeast Second Avenue. Mr. Pugh was formerly with Waddell & Reed, Inc.

### Clement Evans Adds

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — Albert C. Spinks, Jr. has been added to the staff of Clement A. Evans & Company, Inc., Rutland Building.

### Joins Smith, Hague

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Kathryn R. Lynch has joined the staff of Smith, Hague, Noble & Co., Penobscot Building, members of the New York and Detroit Stock Exchanges.

## Business to Remain at Boom Pace: Nadler

**Good immediate outlook may be threatened by certain adverse factors, according to Hanover Bank Consulting Economist's review of business conditions.**

Business activity will continue its booming pace for the remainder of the year, Dr. Marcus Nadler, consulting economist to The Hanover Bank, declared Oct. 25 in a report on "The Business Outlook" published by the bank.

Marcus Nadler

The favorable outlook is evidenced in such "bell-wether" trends as increasing corporate capital expenditures, the record level of commercial and industrial construction, rising personal income, and greater government spending, Dr. Nadler pointed out.

While the immediate outlook is good, there are certain "adverse factors" which could lead to a moderate decline, the economist cautioned.

These include a continued "tight money" policy; an over-supply of certain goods due to steadily increasing productive capacity and productivity; a probable dip in commercial construction; the ultimate halt in the present wage-price spiral; and the eventual decline in private indebtedness, he said.

But any setback in economic activity will be of the nature of a "rolling adjustment," affecting some industries which have been booming during the past year, and counteracted in part by a firming-up in the present "soft-spots," Dr. Nadler predicted.

"It is certain that a decline in business activity will be followed by a contraction in the demand for credit and a modification of the policies of the Federal Reserve authorities," he explained.

"These developments in turn should lead to lower money rates, higher bond yields and stimulation of home building and public works, the pent-up demand for which is still very great," Dr. Nadler added.

### Summary and Conclusions

Summary and conclusions by Dr. Nadler follow:

"(1) **Business activity throughout the first nine months of the year—except for the dip in July caused by the steel strike—was on a high plateau.** The index of industrial production for seven months (eliminating July) averaged 142 as against 136 for the corresponding months of the preceding year. Although industrial output so far this year has been somewhat below the level of the last quarter of 1955, gross national product and disposable personal income have been higher, reflecting the rise in prices and wages.

"(2) **The past several months have been marked by a pronounced upward spiral of wages and prices.** Hourly wages of workers in manufacturing industries in August averaged $1.98 as against $1.88 a year before. The index of wholesale prices in the last week of September stood at 115.2 as against 111.3 a year ago. The consumer price index is also at a new peak. Moreover, these indexes do not as yet reflect the increase in prices of many commodities which have taken place in the past few weeks.

"(3) **The demand for credit and capital has been strong throughout the year and the demand for capital has exceeded the supply of savings.** The Reserve authorities have continued to press on the availability of bank reserves and money rates have risen considerably. The sharp increase in private indebtedness, coupled with inflationary pressures, has caused considerable concern and is primarily responsible for the Federal Reserve policy of credit restraint.

"(4) **Business activity will continue at a high level for the remainder of the year.** Expenditures by corporations for new plant and equipment are mounting, commercial and industrial construction is at a high level, disposable personal income is rising, and consumption expenditures are at a peak. So long as these forces continue to operate, business will be good, even though some segments of the economy are not doing so well and others have been adversely affected by the reduced availability of credit. The credit stringency has been felt particularly in home building, some building material industries which have been unfavorably affected by the decline in housing starts, and certain types of public works.

"(5) **How long the present boom will last cannot be forecast with any degree of certainty.** An economy like ours, where the standard of living is high and the optional demand for goods and services is very large, is strongly influenced by unpredictable psychological forces. If, however, the price-wage spiral is of long duration, it is bound to cause economic dislocations and hardship to those whose income has not kept pace with the cost of living. Eventually, their buying would have to be reduced.

"(6) **While the economy is sound and growing, it cannot escape cyclical fluctuations.** These, however, are not likely to go far or last long. In all likelihood the adjustment will be 'rolling' rather than general in character."

*Continued from page 14*

## Pension Trusts Possibilities As Mortgage Money Source

decrease in the cost or will permit an increase in the benefits. On an actuarial basis, it is usually said that an increase of one-quarter of 1% in the rate of annual yield will result in a decrease of 5% to 6% in the cost or permit a similar amount of increase in the benefits.

There has been a marked change in money rates in recent months brought about by the effort on the part of the Federal Reserve Board to "apply the brakes lightly" to counteract the power of inflationary forces. Corporate bonds with about 25-year maturities having an "A" investment rating, and even some with an "AA" rating, are quoted to yield over a 4% return. This represents real competition for mortgage investments even though the gross interest rate on them has increased about ½% during the same period.

It is generally understood that there are costs involved in the acquisition of mortgages even though the out-of-pocket expenses are paid by the borrower and also that there are costs involved in the servicing of mortgages. It does not seem to be generally understood, however, that there are additional costs under both functions for a trustee and, of course, such costs decrease the ultimate net yield. The reason for these costs is primarily that a trustee is not investing his own funds but is investing for the benefit of others, and, as was well said by Chief Justice Cardozo of the New York Court of Appeals in the case of Meinhard v. Salmon—"A trustee is held to something stricter than the morals of the market place. Not honesty alone, but the punctilio of an honor the most sensitive, is then the standard of behavior." Consequently, a trustee must keep accurate and full accounts of all transactions and all decisions in order that he may eventually account to the other parties. Those parties have the right to scrutinize those transactions and decisions and the trustee must be prepared to justify all his actions to them. Care must be exercised that there is no violation of one of the cardinal principles of trust law which is that a trustee may not delegate the exercise of a discretionary power to others unless specifically authorized so to do in the trust instrument.

### Added Costs Involved

In the case of FHA and VA mortgages, there is a servicing agent who is entitled to a service charge of ½% per annum. A trustee must examine the agent's statements in detail in regard to each mortgage and then duplicate as much as may be necessary to permit the trustee to render an adequate accounting. In effect, this means a duplication of at least the payments of principal and interest and particularly of any defaults. Naturally, the trustee is entitled to compensation for the additional work. Because these mortgages are small and the record keeping of monthly payments is voluminous, the cost of servicing this type of mortgage is almost prohibitive unless an organization has available tabulating and other equipment and actually services a substantial volume of mortgages. In any event, this cost further reduces the net yield and makes such mortgages presently unattractive unless they can be acquired at a fairly substantial discount. A discount of 6% on a 30-year mortgage will yield 4.52% a year to maturity after the servicing agent's charge but before the trustee's fee and service charge. This is a somewhat higher rate than would be obtained on a 30-year 4% corporate bond selling at a 6% discount because, in the case of the mortgage, some payment is applied to principal each year. If the mortgage should be paid before maturity, the yield is increased and, for example, if paid off in 12 years, the comparative yield would be 4.74% per annum. In the event that for policy reasons, a fund is not permitted to buy corporate bonds and is restricted to government bonds or government guaranteed mortgages, then the guaranteed mortgage yields can properly be compared with government bond yields and those set forth above should prove attractive even after all charges.

In the case of conventional mortgages, there is relatively much less bookkeeping and, furthermore, pension trustees seem to prefer mortgages of fairly substantial size with the result that the administration costs per dollar invested are considerably less. Also, it may be much less difficult to increase the interest rates on conventional mortgages to meet the competition of other forms of investment, than it is to increase the discount on FHA and VA mortgages.

### Laws Covering Foreign States

This brings us to the second important reason why a larger portion of pension funds has not been invested in mortgages and that is the problem of "doing business" in foreign states, that is states other than the state of domicile of the trustee. While a substantial portion of mortgage investments may be in the domiciliary state because of the trustee's more intimate knowledge of nearby real estate and because more opportunities may be available, it is nevertheless desirable to avoid a too heavy concentration in any one area. This policy eliminates too much dependence upon the economic conditions in one place, reduces the risk of physical destruction in the event of war, and minimizes the possibility of charges of favoritism toward any one area, particularly in connection with pension funds of nationwide organizations.

Unfortunately it is not easy to cross state lines at the present time—a problem which does not exist in connection with corporate bonds. To show how complicated the matter may become, let us assume that a state has a reciprocal statute as to estates and trusts under a will, but that there is a specific prohibition against an out-of-state bank acting under a voluntary trust agreement and a pension trust is a voluntary trust. This assumed state may also have a statute which permits an out-of-state bank to lend money on mortgages on property within its boundaries and to foreclose if necessary. It is not expressly stated, however than an out-of-state bank acting as a trustee is included. The assumed state may not have any statute relating specifically to leasebacks but the prohibition previously mentioned against acting under a voluntary trust prevents the taking of title to real estate directly in the name of the pension trustee. This may not conclude the matter, however, as the possibilities of taking title in the name of a corporation or of another trustee would then have to be explored. If a corporation should be formed, it will be exempt from Federal income tax as a "feeder corporation" as all of its stock would be held by a tax exempt organization—the pension trust. The state assumed in this example may not grant a similar exemption and therefore the tax laws of the state would have to be examined and an effort made not only to provide for the amount of the present tax but also to provide for increases and for possible changes in the tax laws over the period of the lease which probably runs for many years. Other laws of the state would also have to be examined to determine if it is one of those which require that at least one of the corporation directors be a resident of that state.

Another possibility that must not be overlooked is that the state might regard such a corporation as a subterfuge to permit the out-of-state trustee to do something indirectly which it is forbidden to do directly. The penalty for the violation of such state laws may be a fine or imprisonment or in rare cases an effort may be made to have the property escheat to the state. If the use of a corporation is not satisfactory, then the procedure of establishing a separate sub-trust to hold title to the real estate must be examined. In the first place, the basic pension trust agreement must grant express authority to create such a sub-trust. The next problem is to consider whether or not the state might regard this procedure as a subterfuge. A further problem is the question as to who will serve as sub-trustee. Even this is not the end, however, as a further examination of the state laws must be made with respect to gross receipt taxes, and also the possibility of a gross receipts tax or a state income tax being imposed on the fees of the sub-trustee in respect of the property within that state. Ordinarily it is not the amount of such a tax that is a deterrent but the burden in time and expense of preparing the tax returns. Another point to be watched is that some states impose different restrictions on national banks than on banks chartered in other states.

### Model Statutes

Some conception of the complex problems involved may be obtained from the foregoing. Each state provides its own answer as to the policy it follows. Local counsel will have to be consulted and frequently they can give no real assurance as to the correct answers to the many problems. New York is one of the states that has a reciprocal statute which authorizes a bank or trust company in another state to do a trust business in New York provided the laws of that state authorize a New York bank to do likewise therein. It so happens that another example is Illinois. In other states, as for example in Ohio, a New York bank may qualify to do a full trust business without tax consequences. Other states encourage the inflow of mortgage money through specific statutes covering the problems of real estate title and taxes, but do not permit the exercise of general trust powers by an out-of-state trustee. In at least one state, the statute restricts such investments by an out-of-state trustee to FHA and VA mortgages. Some progress, however, has been made in this field. Pennsylvania recently enacted a more liberal statute. The American Bar Association has drafted two forms of statutes, one authorizing an out-of-state bank in its individual capacity to invest mortgage money and the other covering such a bank when acting as trustee.

### Conclusion

It is generally recognized that the bulk of pension funds is administered by bank trustees. More and more bank trustees are evaluating the merits of mortgage investments. The two major points mentioned above are fields in which the members of this Association can and should be helpful. The interest rates are, of course, set by economic factors but mortgage bankers can be instrumental in keeping the mortgage money rates at net yields that will represent real competition to other forms of investments. Mortgage bankers also have a direct interest in seeing that the laws of their respective states facilitate the investment of mortgage money by out-of-state bank trustees. If the two major problems discussed here should be solved, the figures set forth above show that substantial amounts of money could be made available for mortgage investments and that additional amounts could become available periodically to create a continuing source of supply.

## Now Steven Randall Co.

The firm name of William B. Zener & Co. Inc., 40 Exchange Place, New York City, has been changed to Steven Randall & Co., Inc.

## Joins Walston Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—George R. Spurgeon is now affiliated with Walston & Co., Inc., 901 Southwest Washington Street.

## With Cantor, Fitzgerald

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Simon H. Bresler is now affiliated with Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive.

## Joins J. B. Hanauer

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Paul H. White has joined the staff of J. B. Hanauer & Co., 140 South Beverly Drive.

## Northspan Uranium Mines Bonds Offered

An underwriting group headed jointly by Morgan Stanley & Co. and Model, Roland & Stone is offering for public sale today (Nov. 8) $45,000,000 of Northspan Uranium Mines Ltd. 5¾% general mortgage bonds, series A, with common share purchase warrants. The bonds, which are due July 1, 1963, are priced at 99% and accrued interest to yield approximately 5.93% to maturity.

Warrants exercisable on and after Feb. 1, 1957 entitle the holder to purchase 50 common shares of the company for each $1,000 (U. S.) principal amount of bonds at $3 (U. S.) a share to and including Dec. 31, 1966, the expiration date. On Monday, Nov. 5, the common stock of Northspan closed at $4.45 (Canadian) on the Toronto Stock Exchange. Application will be made to list Northspan common stock and warrants on the American Stock Exchange.

The proceeds from the sale of the bonds will be applied to a construction program involving the company's uranium mines, mills and other properties in the Blind River area in Ontario, Canada. Northspan is currently sinking shafts and advancing underground work on its properties and constructing three separate mill plants with a combined milling capacity of 9,000 tons of ore per day, for the production of uranium concentrates. Additional funds to complete the $73,000,000 (Canadian) program will be obtained through bank loans of $15,000,000 from The Chase Manhattan Bank and $10,000,000 from The Canadian Bank of Commerce. The bank loans will be collaterally secured by 5¼% first mortgage bonds of Northspan.

A sinking fund for the general mortgage bonds provides for payments of $5,625,000 on Jan. 1, 1960 and on each July 1 and Jan. 1 thereafter to and including Jan. 1, 1963. A contingent sinking fund based on earnings may operate to retire additional bonds. The sinking fund redemption price is 100. Optional redemption prices start at 105½% to and including Dec. 31, 1957 and thereafter decrease to the principal amount.

Northspan, controlled by The Rio Tinto Mining Co. of Canada, Ltd., which, in turn, is controlled by The Rio Tinto Co., Ltd., of London, a United Kingdom corporation, holds a contract from Eldorado Mining and Refining Ltd., an agency of the Canadian Government, for the purchase of uranium concentrates of a gross minimum value of $275,000,000. Such uranium concentrates are to be sold to the U. S. Atomic Energy Commission and to the United Kingdom.

In addition to its debt obligations, the company will have outstanding 7,190,364 common shares of $1 par value of which Rio Tinto of Canada and its parent own or control 3,103,556 shares.

### New Scanlan Branch

LEADVILLE, Colo. — Earl M. Scanlan & Co. of Denver has opened a branch office at 613 Harrison Avenue, under the direction of George S. Casey.

### Waddell & Reed Branch

MUSKEGON, Mich. — Waddell & Reed. Inc. have opened a branch office at 941 Evart Street under the management of Clarence J. Kramer.

### Joins Fewel Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Mansford A. Archer is now connected with Fewel & Co., 453 So. Spring Street, members of the Los Angeles Stock Exchange.

# Railroad Securities

By GERALD D. McKEEVER

## Atchison, Topeka & Santa Fe

Santa Fe common is one of the comparatively few rail equities which have found favor with long-term investors. These include pension funds, insurance companies, trust funds and the investment trusts. There are several reasons for this. First, the Santa Fe has been one of the outstanding growth situations among the rails. Secondly, it is a highly efficient operation which is an important consideration in the present era of constantly rising costs. The third point centers around the road's low debt ratio and its financial policy of not increasing its long-term debt even to finance the purchase of equipment, but on the other hand to provide for what is tantamount to a substantial reduction by maturity of the two non-callable issues which constitute the road's only funded debt. Finally, the substantial land holdings of the road offer some promise of being a potential offset to hazards that are more or less built in properties of rail operations. These lands are rich in oil and other minerals and in timber, all of which provide a hedge against inflation such as is found in only a handful of the rails.

The growth of the Santa Fe has been most impressive. The increase of more than threefold in its revenues during the years of World War II was at first discounted as being probably temporary, since this increase was considerably greater than that of the Central Western District and very much greater than that of the Class I total. The fashion was to ascribe the gains of the Santa Fe to the movement of military goods and personnel to the Pacific theater. What was overlooked was the permanent build-up in the road's territory due to industrial decentralization and the permanent location of plants in the road's territory.

The exceptionally strong uptrend of the revenues of the Santa Fe continued through 1953, and while there has since been some evidence of a "topping out," the relative trend was still better than that of either its district or of Class I through 1955. In company with western roads generally, the revenue gain of the Santa Fe this year has been under-average, amounting to a title over 3% for the first nine months. This let-down has been particularly surprising in view of the sharp increase in the location of industries on the line of the road last year. This included 492 permanent industries, 277 temporary ones, and the enlargement of 197.

Operating efficiency is one of the strongest features of the Santa Fe. While its transportation ratio rose to 33.9% for the first nine months of this year, or two points higher than that for the corresponding period of 1955 as a result of the lag in revenues on one hand and sharply mounting costs on the other, this measure has consistently run well under that of the Central Western District and of Class I for years as indicated by the following comparison:

| | Santa Fe | Union Pac. | Southern Pac. | Class I |
|---|---|---|---|---|
| 9 Mos. 1956 | 33.9% | 34.1% | 39.4% | 38.4%* |
| 1955 | 32.1 | 34.1 | 38.6 | 37.3 |
| 1954 | 33.2 | 36.5 | 39.3 | 38.7 |
| 1953 | 30.7 | 35.8 | 37.2 | 36.3 |
| 1946-50 | 33.9 | 36.1 | 40.2 | 39.7 |

*For seven months reported thus far for 1956.

With operations now virtually 100% dieselized the Santa Fe has achieved a wide gain in the overall freight service efficiency measure of gross ton miles moved per freight train hour. Of the 56% gain in this measure since 1946, the greater part—viz., 60% of the gain—was achieved since 1950 reflecting the step up in the rate of dieselization. About 84% of the revenues of the Santa Fe are derived from freight and in 1955, less than 8% from passenger, this proportion reflecting the further decline in this component in 1955.

The modest debt ratio of the Santa Fe is another feature that appeals to the conservative long-term investor. As mentioned previously, there are only two bond issues, both due in 1995, and consisting at the 1955 year-end of $146,958,000 general 4s and $45,981,000 adjustment 4s. The Santa Fe is one of the few roads which have no equipment obligations, all equipment acquisitions being financed internally. The total funded debt of the Santa Fe amounts to less than 14% of its total debt and stock capital and surplus as of the close of last year, and the $192.9 million total represented a 42½% reduction from the $334.5 million total at the 1940 year-end, which at that time included $30 million of equipment obligations. In the intervening period, all callable debt and all equipment obligations have been retired.

Also, provision has been made, as mentioned earlier, for the retirement of a substantial part of the two non-callable debt outstanding by means of the Voluntary Bond Retirement Fund set up in 1952 into which is paid, annually the lesser of $2,427,060 or 20% of the dividend payment on the common stock within the year. The 1955 payment on the common was $33.8 million, so that for the present and as far as can be seen, the annual payment into the Fund will be the $2,427,060, or an amount sufficient to retire about 50% of the $192.9 million debt total in the coming 39 years unless there should be what now seems to be an entirely improbable reduction in earnings and payments on the common to the point where 20% of the latter would be less than $2,437,060.

Thus representing under 14% of total capital and surplus and only 33% of annual gross revenues, and with interest charges amounting to only 1.3% of gross revenues, and with maturity so remote, the funded debt of the Santa Fe is no problem either to the road or to security holders. This is somewhat different from the case in 1938 when, due to a drop in earnings in that year of "recession," and to cash needs for the road's extensive renewal and improvement program on which it had embarked, the interest payment due on May 1 of that year on the stamped bonds was deferred until the following Sept. 1. The interest on this issue is payable only out of surplus earnings for the 12 months ending June 30, but is cumulative. Interest on the stamped bonds which constitute the greater part of the issue is payable at 2% each May and Nov. 1, while the interest on the small balance of "plain" bonds is payable at 4% annually on Nov. 1.

The income from non-rail properties is a substantial and a growing factor in the income of the Santa Fe. Earnings from these sources amounted to $9,295,359 last year as against $8,727,347 in 1954, and dividends these non-rail sources paid to the parent Santa Fe totalled $8 million last year, or $1 million more than they paid in 1954. The increase was in the Chanslor-Western Oil dividend which was $7 million last year as against $6 million in 1954. In addition, $1 million was paid together by the road's two uranium subsidiaries, $500,000 each by Haystack Mountain Development Co. and Santa Fe Pacific RR. In 1954 Santa Fe Pacific paid $1 million, but Haystack nothing. This was more than earnings from uranium in either year, the net from this source having been $708,797 in 1955 and $666,000 in the preceding year.

Earnings of the Santa Fe amounted to $1.69 per common share for the first nine months of this year as against $1.92 for the corresponding 1955 period, but it is nevertheless estimated that the final result for the current year will not be too far away from the $2.94 per common share of last year as adjusted for the five-for-one split in September of this year. In this outlook, it is reasonable to expect that the total payment on the common should continue at the $1.60 rate of the past 12 months, which includes an extra of 60 cents—again adjusting for the five-for-one split. At the current price of about 27 this dividend produces a yield of almost 6% which is most attractive for a stock of the investment calibre of Santa Fe common.

*Continued from page 5*

# The State of Trade and Industry

prove that controls do not produce one pound of steel and compound the problem of getting it.

Meanwhile, an "Iron Age" survey of major consuming industries indicates that the 1957 steel market will be much stronger than had been indicated a few weeks ago. It looks now as though production will run between 118,000,000 and 120,000,000 tons for a new record. The previous record of 117,000,000 tons was set in 1955.

Some reasons for this change are the turnabout in inventory policy from one of reduction to one of maintaining or increasing stocks; the strong outlook for construction; continuation of new plant and equipment buying; heavy railroad freight car backlogs; a revival in appliance buying early next year; resumption of farm implement buying on a large scale, and a big increase in auto sales, concludes "The Iron Age."

Personal income during the month of September advanced to a $328,500,000,000 annual rate, according to a report from the United States Department of Commerce. This was $400,000,000 above the preceding month's pace. It was $17,500,000,000 above the year-earlier level. In the first nine months, Americans earned at a rate of $322,500,000,000 yearly or 6½% more than in the like 1955 period.

In the automotive industry last week added emphasis on overtime operations pushed auto production to a six month's high, "Ward's Automotive Reports," stated on Friday, last.

Scheduled for United States production were 117,675 passenger cars compared with 104,269 in the prior week and 167,278 a year ago. Last week's program was the highest since 127,277 cars were built during the April 22-23 period.

The statistical agency said the auto makers are "pulling out all the stops" and sparing no expense to attain volume 1957 model output and to offset crippling production delays.

Ford Division is ordering 13 of its 15 plants for Saturday assembly this week and the entire industry has placed 57% of its 49 factories on second-shift operations. Eighteen out of 22 General Motors Corp. assembly points alone are on "two turns."

Final reports give the auto makers October production of 388,922 cars, "Ward's" noted, with General Motors Corp. taking 41.2%, Ford Motor Co. 38.4% and Chrysler Corp. 14.8%. Remaining producers tacked on 5.6%.

"Ward's" said domestic truck output the past week reflected inventory close-downs at International Harvester, Divco and White Motor Co., holding the industry to 18,920 units.

This week should find the truck count returning to the 21,698-unit pace of two weeks ago. However, auto output, 100,000 below schedule in October, remains hampered and stands to fall short again in November.

Programmed for last Monday was the 6,000,000th car or truck of 1956 for the North American Continent, that is the United States and Canada combined.

### Steel Output Placed at 100.6% of Capacity This Week

The construction industry will set its 13th consecutive annual record in 1957, hitting the $62,500,000,000 mark, "Steel" magazine predicted on Monday last. This year's expected total is $60,000,000,000.

The national metalworking weekly declared that new construction as well as maintenance and repair of older construction will keep the industry on its record-breaking pace for many years to come.

It said next year's new construction will total about $47,000,000,000, a 5% boost over 1956's $44,500,000,000. Within a decade, it will reach $58,300,000,000 annually in terms of constant dollars or a 31% increase over 1956.

Important in new construction is nonresidential building, with industrial expansion playing a major role. By 1965, construction of new highways will be up 59% or $8,200,000,000 over this year's $5,100,000,000. It is slated at $6,800,000,000 next year.

The publication stated housing for next year at $15,700,000,000 will be under this year's figure, $15,800,000,000, but that the dip is only temporary. By 1965, a total of $19,900,000,000 will be spent, a 26% increase in dollar volume.

Within a decade, the upsurging population will make necessary a jump of 96% in the number of sewers and water lines being built.

The national metalworking weekly declared that the economy as a whole appears to be in fine shape as long as the industry maintains its record-breaking pace.

In 1946, construction, including maintenance and repair, amounted to 10% of the gross national product. By 1951, it was over 13%. Today, it is almost 15%. Significantly, the industry kept rolling at an increasing rate right through the two postwar adjustment years 1949 and 1954.

It said the biggest problem of the construction industry, currently and in prospect, is the shortage of construction steel. Demand grows faster than the industry's capacity to supply it. Since competitive materials are readily available, steel may lose ground as a construction material through unavailability.

The metalworking authority pointed out that statements of some steel company executives show that pressure is building up for increase in steel prices. But U. S. Steel Corp., the largest steel producer and pace setter in steel pricing, discounts the possibility of a general hike now.

**The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 100.6% of capacity for the week beginning Nov. 5, 1956, equivalent to 2,476,000 tons of ingot and steel for castings as compared with 101.3% of capacity, and 2,493,000 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 100.9% and production 2,483,000 tons. A year ago the actual weekly production was placed at 2,404,000 tons or 99.6%. The operating rate is not comparable because capacity is higher than capacity in 1955. The percentage figures for 1955 are based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.**

## Electric Output Continues Upward Trend in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Nov. 3, 1956, was estimated at 11,487,000,000 kwh., an increase above the week ended Oct. 27, 1956, according to the Edison Electric Institute.

The past week's output rose 96,000,000 kwh. above that of the previous week; it increased 634,000,000 kwh. or 5.8% above the comparable 1955 week and 2,130,000 kwh. over the like week in 1954.

## Car Loadings in Week Ended Oct. 27, Dipped 1.4% Below Preceding Week

Loadings of revenue freight for the week ended Oct. 27, 1956, decreased 11,938 cars or 1.4% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Oct. 27, 1956, totaled 816,803 cars, a decrease of 12,845 cars or 1.5% below the corresponding 1955 week but an increase of 80,570 cars, or 10.9% above the corresponding week in 1954.

## U. S. Automotive Output Reaches Six Month High in Latest Week

Automotive output for the latest week ended Nov. 2, 1956, according to "Ward's Automotive Reports," established a six-months high record in the preceding week.

Last week the industry assembled an estimated 117,675 cars, compared with 104,269 (revised) in the previous week. The past week's production total of cars and trucks amounted to 136,595 units, or an increase of 10,628 units ahead of the preceding week's output, states "Ward's."

Last week's car output rose above that of the previous week by 13,406 cars, while truck output declined by 2,778 vehicles during the week. In the corresponding week last year 167,278 cars and 26,283 trucks were assembled.

Last week the agency reported there were 18,920 trucks made in the United States. This compared with 21,698 in the previous week and 26,283 a year ago.

Canadian output last week was placed at 5,685 cars and 1,727 trucks. In the previous week Dominion plants built 5,207 cars and 1,958 trucks and for the comparable 1955 week 5,722 cars and 667 trucks.

## Business Failures Make Further Slight Advances in Past Week

Commercial and industrial failures edged up to 271 in the week ended Nov. 1 from 267 in the preceding week, Dun & Bradstreet, Inc., reports. Although the toll was considerably heavier than the 237 last year and the 204 in 1954, it remained 15% below the prewar level of 318 in the similar week of 1939.

Failures involving liabilities of $5,000 or more rose to 231 from 211 a week ago and 207 in the comparable week of 1955. However, there was a dip in small casualties with liabilities under $5,000, to 40 from 56 last week, but they continued above the 30 of this size occurring a year ago. Ten of the failing businesses had liabilities in excess of $100,000 as against 26 in the preceding week.

## Wholesale Food Price Index Registers Further Mild Decline in Latest Week

There was a further slight easing in the Dun & Bradstreet wholesale food price index the past week. It receded to $5.96 on Oct. 30, from $5.97 a week earlier, to the lowest level in seven months, and exactly where it stood just prior to the start of the Korean War. The current index represents a drop of 1.0% from $6.02 on the like date a year ago.

Higher in wholesale cost last week were wheat, corn, hams, sugar, cocoa, eggs and lambs. On the down side were flour, rye, lard, cottonseed oil, potatoes, 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 Turns Slightly Easier Following Modest Rise of Preceding Week

The general commodity price level declined slightly last week following a mild advance in the previous week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., finished at 293.58 on Oct. 30, as compared with 294.31 a week earlier and 274.77 on the like date a year ago.

Grain markets strengthened the past week with most grains showing modest advances for the period.

**Sparking the upturn in wheat were the unsettled conditions in some of the satellite countries in Europe, buying of flour by chain bakers and generally dry weather in the Southwest.**

Modest rains eased the drought in some areas, but growth of small grains is still retarded. There was also some investment buying in wheat on indications that exports will run very high this crop season.

Corn prices were irregular but firmed up in the latter part of the week with improved demand. A large percentage of the corn crop has been put in storage. Weather conditions have been ideal and the crop is said to be of the highest quality in many years. Trading in grain and soybean futures on the Chicago Board of Trade expanded considerably last week. Daily average sales, totalling 55,900,000 bushels, compared with about 49,000,000 bushels the previous week and the same week a year ago.

Bookings of hard Winter wheat bakery flours expanded considerably last week when many large and intermediate bakers covered their need for varying periods extending from 60 to 120 days. Business in other flours was largely routine except for scattered replacement buying among trade in early need. Coffee prices which have held firm on the threat of a dock strike developed some easiness toward the close as rumors that Brazil would devaluate cropped up again.

**Raw sugar prices continued to climb and resulted in a mark-up of 10 cents by leading refiners to $8.95 per cwt., effective Oct. 30. This represents the highest price for refined granulated sugar in 33 years.**

Cocoa prices were somewhat firmer toward the close. Warehouse stocks of cocoa showed a further drop of 339,144 bags from 345,207 a week earlier, and compared with 238,329 a year ago. Lard prices were substantially lower for the week. In the sharpest decline of the year, live hog prices fell about $1.50 per cwt., to the lowest in six months. The drop reflected declining wholesale fresh pork markets and a seasonal increase in receipts.

Cotton prices moved in a narrow range and showed little net change for the week.

**Some support was attracted by the further large volume of government-owned cotton sold for export under bids opened Oct. 16, and the prospect of a sharp increase in exports this season.**

The movement into the CCC loan stock continued in good volume with entries for the week ended Oct. 19 totalling 244,500 bales, compared with 257,000 a week earlier. Net loan entries for the season through Oct. 19 were reported at 1,362,400 bales, compared with entries of 1,106,000 bales in the corresponding period last season.

## Trade Volume Holds To High Level of Preceding Week

While retail trade was sustained at a high level last week, it was slightly below that of a year ago. Moderate declines in the buying of major appliances and apparel were offset by gains in furniture, housewares and food.

**There was a continued rise in sales of new automobiles, as more 1957 models were introduced.**

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 3% below to 1% 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 —4 to 0; East and Middle West —5 to —1; South —1 to +3; Northwest —2 to +2; Southwest and Pacific Coast 0 to +4%.

Major appliance dealers reported a moderate decline in the call for refrigerators, deep-freeze units and automatic laundry equipment; volume in television sets, radios and lamps was unchanged. A slight rise in the buying of upholstered and occasional furniture occurred. While interest in linens, blankets and carpeting fell somewhat, sales of curtains and draperies advanced appreciably.

**Despite numerous sales promotions, the total dollar volume of men's apparel decreased last week and was noticeably below that of a year ago.**

There was a considerable decline in the buying of men's topcoats; sales of suits and furnishings were moderately below those of the previous week. While the call for women's cloth coats and suits fell slightly, volume in better dresses was high and steady. Except for gains in millinery and jewelry, interest in fashion accessories declined.

**There was a noticeable rise in buying activity at the major wholesale centers last week. Numerous special shows stimulated interest in furniture, housewares, and apparel.**

The total dollar volume of wholesale trade expanded appreciably and was moderately above that of the similar week last year.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Oct. 27, 1956, increased 2% above those of the like period last year. In the preceding week, Oct. 20, 1956, a decrease of 3% was reported. For the four weeks ended Oct. 27, 1956, an increase of 1% was recorded. For the period Jan. 1, 1956 to Oct. 27, 1956, a gain of 4% was registered above that of 1955.

**Retail trade volume in New York City the past week declined 3% to 5% from the level of the like period in 1955, due to warm and rainy weather, trade observers report.**

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Oct. 27, 1956, decreased 2% under those of the like period last year. In the preceding week Oct. 20, 1956, a decrease of 6% was recorded. For the four weeks ending Oct. 27, 1956, an increase of 3% was registered. For the period Jan. 1, 1956 to Oct. 27, 1956 the index recorded a rise of 4% above that of the corresponding period in 1955.

## ACF-Wrigley Stores Offer Oversubscribed

Allen & Co., as manager of an investment banking syndicate offered on Nov. 2 $4,000,000 of 4¾% convertible subordinated sinking fund debentures, due April 30, 1972, of ACF-Wrigley Stores, Inc., at 100% and accrued interest. It was quickly oversubscribed.

The debentures are convertible into common shares to and including April 30, 1972, at conversion prices ranging from $17 to $23 per share.

The debentures will be redeemable at optional prices receding from 104¼% to par, plus accrued interest, and they will also have the benefit of redemption for the fixed sinking fund and for the voluntary sinking fund.

The net proceeds from the sale of the debentures will be used in part for the repayment of outstanding short-term bank loans. The company disclosed plans for an expansion program including the opening of 36 stores in 1957.

ACF-Wrigley Stores, Inc., is engaged in operating retail self-service cash-and-carry supermarkets dealing in groceries, fresh fruits and vegetables, bakery and dairy products, frozen foods, meats, poultry, fish, small household and other items through stores generally located in the southeastern part of the State of Michigan, the greater Cleveland, Ohio, area, the greater St. Louis, Missouri area, and the State of Oklahoma. The company currently operates approximately 150 supermarkets and ranks tenth in sales volume among retail food chains in the United States. Through Abner Wolfe, Inc., a wholly-owned subsidiary, it engages in the wholesale grocery business in the southeastern part of the State of Michigan, selling dry groceries, frozen foods, drugs, candies, gum, tobacco and various small household items.

For the six months ended June 30, 1956, the corporation and its subsidiaries reported consolidated sales of $138,351,493 and consolidated net income of $2,064,319.

## May, Borg Admits

John M. Manley on Oct. 5 was admitted to partnership in May, Borg & Company, 61 Broadway, New York City, members of the American Stock Exchange.

## Harris, Upham Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—George Schoene has become connected with Harris, Upham & Co., 986 Wilshire Boulevard.

## With State Bond & Mtge.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn.—Gerald J. Hix and Virgil K. Nelson are now affiliated with State Bond & Mortgage Co., 28 North Minnesota Street.

## Two With King Merritt

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—John K. Ogren and Godfrey J. Totushek are now connected with King Merritt & Co., Inc.

## With Lee Higginson

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Jeffrey R. Power has been added to the staff of Lee Higginson Corporation, 50 Federal Street.

## Joins Reynolds Staff

BOSTON, Mass.—Charles W. Lovejoy, Jr., has joined the staff of Reynolds & Co., 19 Congress Street. He was formerly with Lee Higginson Corporation.

## Earl H. Hooper

Earl H. Hooper, associated with Gearhart & Otis, Inc., has passed away.

# Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

**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 Heritage Life Insurance Co. (11/19)**
Oct. 26 filed 1,199,375 shares of common stock (par $1), of which 575,000 shares are to be offered to the public; 435,000 shares to agents and employees of company from Nov. 15 to Dec. 16; and 189,375 shares to employees pursuant to certain stock purchase options to be granted by the company. **Price**—To public, $2 per share; and to employees, $1.81 per share. **Proceeds**—For working capital. **Office**—Jacksonville, Fla. **Underwriter**—Pierce, Carrison, Wulburn, Inc., of Jacksonville, Fla.

**AMP, Inc., Harrisburg, Pa. (11/14)**
Oct. 24 filed 328,700 shares of common stock (par $1), bearing an endorsement representing a beneficial interest in 3,287 shares of common stock (par $1) of Pamcor, Inc., San Juan, Puerto Rico, an affiliate of AMP, Inc. Of the total, 298,700 shares are to be offered to public (148,200 shares for company's account and 150,500 shares for account of selling stockholders) and 30,000 shares are to be offered to employees (for company's account). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Business**—Designs and manufactures solderless electric wire terminals and manufacturing of practically all forms of electric appliances and equipment. **Underwriter**—Kidder, Peabody & Co., New York.

**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 indefinitely.

**★ Arcol Oil Co.**
Oct. 29 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For oil drilling expenses. **Office**—Denver Club Bldg., Denver, Colo. **Underwriter**—None.

**● Arizona Public Service Co. (11/21)**
Oct. 31 filed 200,000 shares of cumulative convertible preferred stock (par $50). **Price** — To be supplied by amendment. **Proceeds** — To reduce bank loans. **Underwriters**—The First Boston Corp., and Blyth & Co., Inc., both of 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.

**● Barber's Super Markets, Inc.**
Oct. 15 (letter of notification) 21,721 shares of common stock (par $10) being offered to stockholders on a basis of one new share for each two shares held as of record Oct. 15, 1956; rights to expire on Dec. 1. **Price**—$11 per share. **Proceeds**—For working capital. **Address**—P. O. Box 515, Albuquerque, N. Mex. **Underwriter**—None.

**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.

**Beckjord Manufacturing Corp.**
Oct. 12 (letter of notification) $50,000 of series A 6% debenture bonds, $50,000 of series B 6% debenture bonds and 207,500 shares of common stock (par 10 cents) to be offered in units as follows: 100 "A" units (each consisting of a $500 "A" bond and 50 shares of stock); 100 "B" units (each consisting of a $500 "B" bond and 50 shares of stock); and 1,975 "C" units (each consisting of 100 shares of stock). **Price**: Of series "A" and "B" units, $500 each; and of series "C" units, $100 each. **Proceeds**—To acquire or lease plant; for dies and machinery; production equipment and materials; inventory; and working capital. **Business** — Manufactures "Unit-Inch" electric convector heaters. **Office**—7 West Water Street, Toms River, N. J. **Underwriter**—Berry & Co., Newark, N. J.

**● Beneficial Standard Life Insurance Co.**
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. **Offering**—Expected today (Nov. 8).

**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.

**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.

**★ Brookridge Development Corp.**
Oct. 29 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—67-12 62nd St., Ridgewood, Queens, N. Y. **Underwriter**—Wagner & Co., New York.

**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.

**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.

**★ Canada General Fund (1954) Ltd.**
Nov. 1 filed (by an amendment) 1,500,000 additional shares of common stock (par $1). **Price** — At market. **Proceeds**—For investment.

**● Centers Corp., Philadelphia, Pa.**
July 30 filed $8,000,000 of 5½% sinking fund debentures due Aug. 1, 1971, and 1,600,000 shares of common stock (par one cent); subsequently amended to $4,500,000 of debentures. **Price** — To be supplied by amendment. **Proceeds** — About $4,100,000 will be used to acquire seven shopping center sites and a Penn Fruit supermarket adjacent to one of them; the balance will be used to develop shopping centers at the seven sites and to acquire and develop additional sites for related real estate activities, and for general corporate purposes. **Underwriter** — Blair & Co. Incorporated, Philadelphia and New York. Latter has agreed to purchase an additional 300,000 common shares and reoffer them to persons selected by it at $1.10 per share. **Offering**—Not expected until the early part of January.

**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.**
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.

**Chicago Helicopter Airways, Inc.**
Oct. 16 (letter of notification) 23,050 shares of common stock (par $1) to be offered to stockholders of record Oct. 26, 1956 on the basis of one share for each five shares held (with an oversubscription privilege); rights to expire on Nov. 9, 1956. **Price**—$11.25 per share. **Proceeds**—To purchase lease rights to a hangar and for improvements and working capital. **Office**—5240 West 63rd St., Chicago, Ill. **Underwriter**—None.

**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, purchas and installation of machinery and equipment, and a operating capital. **Underwriter** — Industry Developer Inc.

**Chisago City Telephone Co., Chisago, Minn.**
Sept. 6 (letter of notification) 1,000 shares of commo stock to be offered to stockholders. **Price**—At par ($2 per share). **Proceeds** — For new construction. **Underwriter**—None.

**● Colorado Springs Aquatic Center, Inc.**
Aug. 23 filed 500,000 shares of common stock (par 1 cents). **Price**—$1 per share. **Proceeds**—For swimmin pool and related activities, bowling alley, site preparatio including parking, and land cost ($95,000). **Underwriter**—Arthur L. Weir & Co. and Copley & Co., both of Colorado Springs, Colo. Statement withdrawn. Offerin will be made to bona fide residents of Colorado only.

**Consumers Cooperative Association, Kansas City, Mo.**
Oct. 25 filed 180,000 shares of 5½% preferred stoc (cumulative to extent earned before patronage refunds and 20,000 shares of 4% second preferred stock (cumulative to extent earned before patronage refunds) to b sold directly to members and others by the Association employees. **Price**—At par ($25 per share). **Proceeds**—For general corporate purposes. **Underwriter**—None.

**Consolidated Oil Management**
Aug. 16 (letter of notification) $250,000 of 10-year 5½ collateral trust bonds due Sept. 9, 1966. **Office**—735 Central Ave., St. Petersburg, Fla. **Predecessor**—Lync Oil Co. **Underwriter**—Security & Bond Co., Lexingto Kentucky.

**Continental Casualty Co., Chicago, Ill.**
Sept. 28 filed 625,000 shares of capital stock (par $5 being offered in exchange for outstanding capital stoc of National Fire Insurance Co. of Hartford at rate 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 stoc and will expire on Nov. 15. **Dealer-Managers**—Willia Blair & Co.; The First Boston Corp.; and Lazard Frere & Co.

**● Cosden Petroleum Corp. (11/14)**
Oct. 26 filed 352,000 shares of capital stock (par $1 **Price** — To be supplied by amendment. **Proceeds** — T Standard Oil Co. of Texas and Anderson-Prichard O Corp., who are the selling stockholders. **Underwriters**—Dean Witter & Co., San Francisco, Calif., and New York and Glore, Forgan & Co., Chicago, Ill., and New York

**Credit Finance Service, Inc., Wilmington, Del.**
Oct. 30 filed $1,200,000 of subordinate debentures du Nov. 1, 1963 and 24,000 shares of class B common stoc (par $1) to be offered in units of $50 of debentures an one share of stock. **Price**—To be supplied by amendment (the proposed maximum offering price is $65 pe unit). **Proceeds** — To reduce outstanding short-term bank loans and to repay subordinated note for $50,000. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

**Dallas Power & Light Co.**
Oct. 23 (letter of notification) 431 shares of commo stock (no par) to be offered to minority stockholders o a 1-for-16 basis. **Price**—$185 per share. **Proceeds**—Fo new construction and working capital. **Office** — 150 Commerce St., Dallas, Tex. **Underwriter**—None.

**★ Dallas Power & Light Co. (12/3)**
Nov. 7 filed $10,000,000 of first mortgage bonds due 198 **Proceeds** — To repay bank loans and for constructio program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc The First Boston Corp.; Salomon Bros. & Hutzler; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenne & Beane (jointly); Eastman Dillon, Union Securities Co.; Kuhn, Loeb & Co.; Equitable Securities Corp.; Bla & Co. Incorporated and Baxter, Williams & Co. (jointly) Lehman Brothers. **Bids**—Expected to be received up t noon (EST) on Dec. 3.

**Dalton Finance, Inc., Mt. Rainier, Md.**
Sept. 28 (letter of notification) $250,000 of 6% 10-yea subordinated debentures (with warrants attached) an 25,000 shares of class A common stock (par 50 cents to be offered in units of one $500 debenture and shares of stock. **Price**—$525 per unit. **Proceeds**—Fo working capital. **Underwriter** — Whitney & Co., Inc Washington, D. C.

**★ Detroit Steel Corp.**
Nov. 5 filed 200,000 shares of common stock (par $1) t be offered for sale to certain officers and employees o the company and its subsidiaries under the company Restricted Stock Option Plan and Employee Stock Purchase Plan.

**Devall Land & Marine Construction Co., Inc.**
May 16 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—Fo payments of notes, to purchase and equip three boat and working capital. **Office**—1111 No. First Ave., Lak Charles. La. **Underwriter**—Vickers Brothers, Housto Texas. Statement effective.

**Diversified Oil & Mining Corp., Denver, Colo.**
Aug. 29 filed 2,500,000 shares of 6% convertible non cumulative preferred stock, first series (par $1), an warrants to purchase 500,000 shares of common stoc (par 10 cents) to be offered for subscription initially b common stockholders in units of 25 preferred shares an a warrant to purchase five common shares. **Price**—$25.5

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.

**● Dodge Manufacturing Corp.**
Oct. 15 filed not to exceed 72,000 shares of cumulative convertible preferred stock (no par value). **Price**—To provide a net to the company of approximately \$2,000,000. **Proceeds**—For expansion and working capital. **Office**—Mishawaka, Ind. **Underwriter** — Central Republic Co. Inc., Chicago, Ill. **Offering**—Expected today (Nov. 8).

**Douglas Corp., Fort Collins, Colo.**
July 27 filed 4,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds** — For exploration, development and acquisition of properties and for working capital. **Underwriter**—Columbia Securities Co., Denver, Colo.

**Dow Chemical Co., Midland, Mich.**
Aug. 27 filed 150,000 shares of common stock (par \$5) to be offered for subscription by employees of the company and certain subsidiaries and associated companies. 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. (11/15)**
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**
Oct. 3 (letter of notification) 25,000 shares of common stock (par \$6) being 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.

**★ Federated Mortgage Corp. of Delaware**
Oct. 25 (letter of notification) \$299,000 of 8% convertible bonds due, if demanded in five years from date of issue, or in 10 years without demanad. **Price**—At par (in denominations of \$100, \$500 and \$1,000 each). **Proceeds**—For working capital. **Office**—225 Westchester Ave., Port Chester, N. Y. **Underwriter**—None.

**Freiberg Mahogany Co.**
Oct. 11 filed \$2,000,000 of subordinated debentures due 1971 and 450,000 shares of common stock (par 10 cents), of which \$1,500,000 of debentures and all of the stock are to be offered publicly in units of \$500 of debentures and 150 shares of stock; the remaining \$500,000 of debentures to be sold to Texas Industries, Inc., which owns about 75% of Freiberg's outstanding common stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units to retire short-term loans and for working capital, etc., and from sale of debentures to Texas Industries to retire a subordinated promissory note payable to the latter firm. **Office**—New Orleans, La. **Underwriters**—Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La.; Rauscher, Pierce & Co., Inc., Dallas, Texas; and Russ & Co., Inc., San Antonio, Texas.

**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 captal. **Underwriter** — None named. Offering to be made through selected dealers.

**● 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. Merger discussions terminated in October, 1956, owing to inability to agree on terms for exchange of securities.

**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.

**● Giant Food Properties, Inc. (11/19)**
Oct. 23 filed \$4,050,000 of 5½% sinking fund debentures due Dec. 1, 1971, and 891,000 shares of common stock (par 10 cents) to be offered in units of \$100 principal amount of debentures and 22 shares of stock; of which 25,000 units are to be offered publicly and 15,500 units are to be issued in exchange for properties. **Price**—\$100 per unit. **Proceeds** — To acquire shopping center sites and for working capital and other general corporate purposes. **Office** — Washington, D. C. **Underwriters** — Auchincloss, Parker & Redpath, Washington, D. C., and Kidder, Peabody & Co., New York, N. Y.

**● Giant Food Properties, Inc. (11/19)**
Oct. 23 filed 250,000 shares of common stock (par 10 cents) of which 100,000 shares are to be offered to the public, 40,000 shares are to be offered to certain of the company's employees and 110,000 shares to associates of corporation and Tower Construction Co. **Price**—\$1 per share. **Proceeds**—For working capital and other corporate purposes. **Underwriter**—None. [This is in addition to the 40,500 units also filed with the SEC on Oct. 23.]

**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.

**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.

**★ Green Mountain Enterprises, Inc., Putney, Vt.**
Nov. 1 (letter of notification) 5,000 shares of non-cumulative preferred stock (par \$10) and 15,000 shares of common stock (par \$1) to be offered in units of one preferred share and three common shares. **Price**—\$14.50 per unit. **Proceeds** — For expenses incident to development of a recreation park known as Santa's Land. **Underwriter**—None.

**Growers Container Corp., Salinas, Calif.**
May 28 filed 600,000 shares of common stock (par \$1) to be offered primarily to individuals and firms who are engaged in or closely allied to the growing and shipping industry. **Price**—\$3 per share. **Proceeds**—For working capital, capital expenditures and other corporate purposes. **Underwriter**—None.

**★ Guardian Chemical Corp.**
Oct. 29 (letter of notification) \$250,000 of 6% convertible debentures due Dec. 1, 1966. **Price**—At par (indenominations of \$100 each). **Proceeds** — For working capital. **Office**—38-15 30th St., Long Island City 1, N. Y. **Underwriter**—None.

**★ Harrisonville Telephone Co. (11/12)**
Oct. 26 (letter of notification) 1,850 shares of common stock (par \$100) to be offered to stockholders of record on Nov. 6, 1956 for a period of 30 days on the basis of one new share for each two shares held. **Price** — To stockholders, \$102 per share; to residents of Illinois, \$106 per share. **Proceeds**—To retire bank loans; pay installation cost and for construction of other plants. **Office**—Waterloo, Ill. **Underwriter** — McCourtney-Breckenridge & Co., St. Louis, Mo.

**Hartfield Stores, Inc.**
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.

**Home Light & Power Co.**
Oct. 8 (letter of notification) 6,695 shares of common stock (par \$25) being offered to stockholders of record Oct. 24, 1956, on the basis of one share for each eight shares held on Oct. 24, 1956, and also to employees at a rate not to exceed 10% of annual pay; warrants expire Nov. 17, 1956. **Price**—\$40 per share. **Proceeds**—For additional plant facilities and improvements. **Office**—810 Ninth St., Greeley, Colo. **Underwriter**—None.

**Home Telephone & Telegraph Co. of Virginia**
Oct. 25 filed 46,000 shares of capital stock to be offered for subscription by stockholders of record Nov. 14, 1956 in the ratio of one new share for each seven shares held. **Price**—At par (\$5 per share). **Proceeds**—To pay outstanding short-term bank loans. **Office**—107 Valley St., Emporia, Va. **Underwriter**—None.

**Horton Aircraft Corp., Las Vegas, Nev.**
Oct. 18 filed 100,000 shares of common stock (no par). **Price**—To be supplied by amendment (maximum price to be \$25 per share). **Proceeds**—To William E. Horton, President of the company, who is the selling stockholder. **Underwriter**—None.

**● Imperial Oil, Ltd., Toronto, Canada (11/16)**
Oct. 18 filed 1,504,271 shares of no par value capital stock, to be offered for subscription by stockholders of record Nov. 13, 1956 on the basis of one new share for each 20 shares held; rights to expire on Dec. 4, 1956. Standard Oil Co. (New Jersey), which owns 69.64% of the outstanding Imperial stock is said to have indicated that it intends to subscribe to its portion of the offering. **Price** — To be supplied by amendment (expected to be about \$55 per share). **Proceeds** — For working capital and expansion. **Underwriter**—None.

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# NEW ISSUE CALENDAR

**November 8 (Thursday)**

Chicago, Burlington & Quincy RR. **Equip. Tr. Ctfs.**
(Bids noon CST) \$3,600,000

Chicago & North Western Ry.---**Equip. Trust Ctfs.**
(Bids noon CST) \$3,375,000

**November 12 (Monday)**

Harrisonville Telephone Co.---------------**Common**
(Offering to stockholders—to be underwritten by McCourtney-Breckenridge & Co.) \$188,700

Loyal American Life Insurance Co., Inc.---**Common**
(Offering to common stockholders—to be underwritten by J. H. Goddard & Co., Inc. and Thornton, Mohr & Farish) 230,000 shares.

Pacific Lighting Co.---------------------**Preferred**
(Blyth & Co., Inc.) \$20,000,000

**November 13 (Tuesday)**

Louisville & Nashville RR.-----**Equip. Trust Ctfs.**
(Bids noon EST) \$7,695,000

Pennsylvania & Southern Gas Co.------**Debentures**
(Lewis C. Dick Co.) \$300,000

Van Horn Butane Service-----------------**Preferred**
(Schwabacher & Co., Inc. and J. Barth & Co.) \$1,100,000

**November 14 (Wednesday)**

AMP, Inc. ---------------------------------**Common**
(Kidder, Peabody & Co.) 298,700 shares

Cosden Petroleum Corp.-------------------**Common**
(Dean Witter & Co. and Glore, Forgan & Co.) 352,000 shares

Public Service Electric & Gas Co.----------**Bonds**
(Bids 11 a.m. EST) \$50,000,000

Reichhold Chemicals, Inc.------------------**Common**
(Blyth & Co., Inc.) 200,000 shares

Sierra Pacific Power Co.--------------------**Bonds**
(Bids 11 a.m. EST) \$3,000,000

**November 15 (Thursday)**

Chesapeake & Ohio Ry.---------**Equip. Trust Ctfs.**
(Bids to be invited) \$7,800,000

Electricity Commission of New South Wales **Bonds**
(Kidder, Peabody & Co.) \$7,650,000

Eternalite, Inc.-------------------**Class A Common**
(Vickers Brothers) \$900,000

San Jacinto Petroleum Corp.-----------**Debentures**
(White, Weld & Co.) \$8,000,000

Sinclair Oil Corp.-------------------------**Debentures**
(Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane) \$170,593,900

**November 16 (Friday)**

Chase Manhattan Bank-------------------**Common**
(Offering to stockholders—to be underwritten) \$1,000,000 shares

Imperial Oil, Ltd.---------------------------**Common**
(Offering to stockholders—no underwriting) 1,504,271 shares

**November 19 (Monday)**

American Heritage Life Insurance Co.---**Common**
(Pierce, Carrison, Wulburn, Inc.) \$2,399,750

Giant Food Properties, Inc. **Debentures & Common**
(Auchincloss, Parker & Redpath and Kidder, Peabody & Co.) \$4,050,000

Pigeon Hole Parking of St. Louis, Inc. **Class A Com.**
(A. G. Edwards & Sons and Dempsey-Tegeler & Co.) \$975,000

Spar-Mica Corp., Ltd.--------------------**Preferred**
(Hamlin & Lunt; Allen & Co.; Cowen & Co.; and Straus, Blosser & McDowell) about \$2,400,000

United Cuban Oil, Inc.-------------------**Common**
(S. D. Fuller & Co.) \$1,250,000

**November 20 (Tuesday)**

Texas Power & Light Co.-------------------**Bonds**
(Bids 11:30 a.m EST) \$10,000,000

Watson Brothers Transportation Co.-------**Class A**
(Cruttenden & Co.; The First Trust Co. of Lincoln; and Wachob-Bender Corp.) \$4,648,320

**November 21 (Wednesday)**

Arizona Public Service Co.---------------**Preferred**
(The First Boston Corp. and Blyth & Co., Inc.) \$10,000,000

**December 3 (Monday)**

Dallas Power & Light Co.--------------------**Bonds**
(Bids noon EST) \$10,000,000

**December 4 (Tuesday)**

Michigan Bell Telephone Co.-----------**Debentures**
(Bids to be invited) \$30,000,000

National Cash Register Co.-------------**Debentures**
(Offering to stockholders—to be underwritten by Dillon, Read & Co. Inc.) \$28,285,600

**December 5 (Wednesday)**

Long Island Lighting Co.--------------------**Bonds**
(Bids 11 a.m. EST) \$20,000,000

**December 6 (Thursday)**

New York Central RR.----------**Equip. Trust Ctfs.**
(Bids to be invited) \$8,055,000

**December 10 (Monday)**

Texas Eastern Transmission Corp.-------**Debentures**
(Dillon, Read & Co. Inc.) \$40,000,000

**December 11 (Tuesday)**

Florida Power & Light Co.-------------------**Bonds**
(Bids 11:30 a.m. EST) \$20,000,000

Illinois Central RR.--------------**Equip. Trust Ctfs.**
(Bids to be received) \$9,000,000

**January 8, 1957 (Tuesday)**

New England Tel. & Tel. Co.-----------**Debentures**
(Bids to be invited) \$35,000,000

**January 15, 1957 (Tuesday)**

Louisiana Power & Light Co.-----------------**Bonds**
(Bids to be invited) about \$20,000,000

*Continued from page 37*

**International Bank of Washington, D. C.**
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 Postal Supply Co. of New York**
Oct. 31 (letter of notification) 4,256.6 shares of capital stock (no par) to be offered for subscription by stockholders at the rate of one new share for each five shares held. **Price**—$17 per share. **Proceeds** — For expansion, research and development of new products, and to purchase equipment. **Office**—634 Prospect Place, Brooklyn, N. Y. **Underwriter**—None.

**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.**
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.

**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.

**Life Insurance Co. of South Carolina**
Oct. 15 filed 339,600 shares of common stock (no par) to be offered for subscription by stockholders of record Sept. 12, 1956 at the rate of two shares of new stock for each share held. **Price**—To stockholders, $10 per share; and to public, $15 per share. **Proceeds**—For expansion and working capital. **Underwriter**—None. Public offering will be made by employees of the company and qualified licensed dealers.

**Lincoln Telephone & Telegraph Co.**
Oct. 1 (letter of notification) 6,653 shares of common stock (par $16⅔) being offered to common stockholders of record Sept. 17, 1956 on the basis of one new share for each 30 shares held; rights to expire on Nov. 12. **Price**—$40 per share. **Proceeds** — For working capital, etc. **Office**—1342 M. St., Lincoln, Neb. **Underwriter**—None.

★ **Ling Electronics, Inc., Los Angeles, Calif.**
Nov. 5 filed $1,000,000 of 6% convertible debentures due Dec. 1, 1966. **Price** — To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Perkins & Co., Inc., Dallas, Tex.

★ **Ling Electronics, Inc., Los Angeles, Calif.**
Nov. 5 filed 183,333 shares of common stock (par 50 cents) to be offered for subscription by common stockholders at the rate of one new share for each six shares held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Perkins & Co., Inc., Dallas, Tex.

★ **Long Island Lighting Co. (12/5)**
Nov. 7 filed $20,000,000 of first mortgage bonds, series I, due Dec. 1, 1996. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Blair & Co. Incorporated and Baxter, Williams & Co. (jointly); Smith, Barney & Co. **Bids**—Expected to be received up to 11 a.m. (EST) on Dec. 5.

**Lorain Telephone Co.**
Oct. 1 (letter of notification) 4,994 shares of common stock (no par) being offered to stockholders on the basis of one share for each 20 shares of record Sept. 24; rights to expire Jan. 2, 1957. **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.

**Los Angeles Drug Co.**
Oct. 11 filed $500,000 of 6% convertible subordinated debentures due Aug. 1, 1971. **Price**—At par (denominations of $500 and $1,000 each). **Proceeds**—For equipment, inventory and working capital. **Underwriter**—Quincy Cass Associates, Los Angeles, Calif.

**Loyal American Life Insurance Co., Inc. (11/12-16)**
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 (with an oversubscription privilege). **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.

● **Lucky Stores, Inc., San Leandro, Calif.**
Oct. 11 filed 630,000 shares of common stock (par $1.25) to be offered for subscription by common stockholders of Foremost Dairies, Inc., in the ratio of one Lucky Stores share for each 12½ shares of Foremost common stock held (with a 21-day standby). **Price**—To be supplied by amendment. **Proceeds** — To Foremost Dairies, Inc., the selling stockholder. **Underwriters**—Allen & Co., New York, and Dean Witter & Co., San Francisco, Calif. **Offering**—Not expected until December.

**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.

**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.

**Matheson Co., Inc.**
Oct. 8 (letter of notification) 13,375 shares of 6% cumulative preferred stock. **Price**—At par ($20 per share), plus accrued dividends. **Proceeds**—For expansion, equipment and working capital. **Office**—932 Paterson Plank Road, East Rutherford, N. J. **Underwriters** — Mohawk Valley Investing Co., Inc., Utica, N. Y., and Security and Bond Co., Lexington, Ky.

★ **Miami Musical Theatre, Inc.**
Oct. 26 (letter of notification) $80,000 of 5% debentures, dated Nov. 1, 1956 and due Nov. 1, 1966 and 200 shares of class A common stock (par $100) to be offered in units of one share of common stock and $400 of debentures. **Price**—$500 per unit. **Proceeds** — To produce a play. **Address**—c/o Myer, Weiss, Rosen & Rose, 420 Lincoln Road, Miami Beach, Fla. **Underwriter**—None.

**Michigan Seamless Tube Co.**
Oct. 26 filed 59,386 shares of common stock (par $5) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—South Lyon, Mich. **Underwriter**—William C. Roney & Co., Detroit, Mich.

**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.

**Mineral Projects-Venture E, Ltd., Madison, N. J.**
Oct. 16 filed $2,500,000 of participations in limited partnership interests. **Proceeds**—For acquisition and exploration of oil properties. **Underwriter**—Mineral Projects Co., Ltd., 55 Village Road, Madison, N. J.

**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.

★ **Mississippi Investment Trust, St Louis, Mo.**
Oct. 31 filed (by amendment) an additional $250,000 on value of Contracts of Sale. **Price**—To be based upon the terms of the particular Contract, and negotiations with the individual purchaser.

● **Mobile Gas Service Corp., Mobile, Ala.**
Oct. 11 filed 30,000 shares of common stock (par $5) being offered for subscription by coming stockholders of record Oct. 30 on the basis of one new share for each 10 shares held; rights to expire on Nov. 20. **Price**—$21 per share. **Proceeds**—To reduce bank loans. **Underwriter**—None.

● **Mohawk Airlines, Inc., Ithaca, N. Y.**
Oct. 26 filed $794,000 of 5½% convertible subordinated debentures due Aug. 1, 1966, of which $100,000 principal amount will be offered in exchange for outstanding 6% convertible notes. **Price**—To be supplied by amendment. **Proceeds** — For general corporate purposes. **Underwriters**—Mohawk Valley Investing Co.; Allen & Co., and Gregory & Sons.

**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.

● **New South Wales, Australia (Electricity Commission of) (11/15)**
Oct. 26 filed $7,500,000 sinking fund bonds. **Price**—To be supplied by amendment. **Proceeds**—To redeem $6,976,000 3½% sinking fund bonds, of The Sydney County Council due Jan. 1, 1957, the holders of which may exchange same for the new bonds; and for construction work. **Underwriter**—Kidder, Peabody & Co., 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 20 cents) 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.**
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**—Those received up to 11 a.m. (EST) on Oct. 30 were rejected.

**Orefield Mining Corp., Montreal, Canada**
Oct. 15 filed 900,000 shares of capital stock (par $1), of which 200,000 shares are now outstanding. **Price**—To be supplied by amendment. **Proceeds** — For exploration costs. **Underwriter**—To be named later. Michael Tzopanakis, of Miami, Fla., and Denis Colivas, of Montreal, Canada, are large stockholders.

**Oxford Loan Co.**
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** — 223 North Broad St., Philadelphia, Pa. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

● **Pacific Lighting Corp. (11/12-16)**
Oct. 10 filed 200,000 shares of cumulative convertible preferred stock (no par). **Price** — To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

**Pari-Mutuel Equipment Corp.**
Aug. 24 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For construction of 250 race ticket machines; for purchase of 40 machines for issuance of semi-blank race tickets and for working capital and general corporate purposes. **Office**—527 Madison Avenue, New York 17, N. Y. **Underwriter**—Wistor R. Smith & Co., 40 East 54th Street, New York 22, N. Y.

**Peerless Life Insurance Co.**
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.

● **Pennsylvania & Southern Gas Co. (11/13)**
Oct. 29 (letter of notification) $300,000 of 6% debentures due Nov. 1, 1976 (each $1,000 unit having attached a warrant to purchase 20 shares of common stock at $12 per share). **Price**—At principal amount. **Proceeds**—To repay existing loans and notes outstanding and for working capital. **Office**—1420 Walnut St., Philadelphia, Pa. **Underwriter**—Lewis C. Dick Co., also of Philadelphia.

**Pigeon Hole Parking of St. Louis, Inc. (11/19)**
Oct. 29 filed 300,000 shares of class A common stock (par 25 cents). **Price**—To be supplied by amendment (proposed maximum offering price is $3.25 per share). **Proceeds** — To construct and operate two multi-level automobile parking structures, utilizing a patented mechanical device. **Underwriters**—A. G. Edwards & Sons and Dempsey-Tegeler & Co., both of St. Louis, Mo.

● **Pittsburgh Consolidation Coal Co.**
Oct. 3 filed 2,678,697 shares of common stock (par $1) being 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. Statement effective Oct. 23.

**Producing Properties, Inc., Houston, Texas**
Oct. 19 filed 555,000 shares of common stock (par 10¢) to be offered in exchange for shares of common stock of San Juan Exploration Co. at rate of 0.46413 of a share of Producing Properties stock for each San Juan share. The offer is to expire at 3 p.m. (CST) on Nov. 5, 1956.

**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.

**Public Service Electric & Gas Co. (11/14)**
Oct. 16 filed $50,000,000 first and refunding mortgage bonds due Nov. 1, 1986. **Proceeds**—To reduce bank loans and for 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**—Expected to be received up to 11 a.m. (EST) on Nov. 14, at 80 Park Place, Newark 1, N. J.

● **Puerto Rican Jai Alai, Inc.**
July 27 filed $1,500,000 of 12-year 6% first mortgage bonds due 1968, and 300,000 shares of common stock (par $1) to be offered in units of a $500 bond and 100 shares of stock. **Price**—May be $675 per unit. **Proceeds** — For construction of fronton and related activities. **Office**—San Juan, Puerto Rico. **Underwriters**—Crerie & Co., Houston, Texas; Dixon Bretscher Noonan, Inc., Springfield, Ill.; and Aetna Securities Corp., New York. **Offering**—Indefinite.

**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**
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.

**Redi-Food Co., Inc.**
Oct. 8 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—To purchase plant and equipment. **Office**—2500 Butler Place, New York City. **Underwriter**—Kopp & Co., Passaic, N. J.

**Reichhold Chemicals, Inc. (11/14)**
Oct. 19 filed 200,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — For working capital and construction program. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif., and New York, N. Y.

**Re-Mark Chemical Co., Inc.**
Oct. 4 (letter of notification) 99,630 shares of class A cumulative participating preference stock (par 80 cents). **Price**—$1.75 per share. **Proceeds**—For completion of a sulphur mill; working capital, etc. **Office**—64 N. E. 73rd St., Miami, Fla. **Underwriter**—Frank L. Edenfield & Co., Miami, Fla.

**Ross (J. O.) Engineering Corp., New York**
Sept. 10 filed 19,059 shares of common stock (par $1) being 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%. The offer will expire on Nov. 15. **Underwriter**—None. Statement effective Oct. 3.

**St. Regis Paper Co.**
Oct. 26 filed 750,000 shares of common stock (par $5) to be offered in exchange for outstanding common stock (par $10) of J. Neils Lumber Co. at rate of 2½ St. Regis shares for each Neils common share. The offer will expire on Dec. 31, 1956, unless extended. **Exchange Agent**—The First National Bank of Portland, P. O. Box 3437, Portland, Ore.

**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 ore 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.

● **San Jacinto Petroleum Corp. (11/15)**
Oct. 24 filed $8,000,000 of subordinated convertible debentures, due Nov. 1, 1971. **Price** — To be supplied by amendment. **Proceeds**—To retire bank loans, for exploration and development activities and for general corporate purposes. **Underwriter**—White, Weld & Co., New York.

**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.

● **Seaboard Finance 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**—Has been withdrawn.

★ **Sharron Oil & Gas Co., Inc.**
Oct. 29 (letter of notification) 8,750,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For oil drilling expenses. **Office**—1620 Cook St., Denver, Colo. **Underwriter**—None.

★ **Sitzmark, Inc., Wilmington, Del.**
Oct. 29 (letter of notification) 8,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For new construction. **Underwriter**—None.

**Sierra Pacific Power Co. (11/14)**
Oct. 11 filed $3,000,000 of first mortgage bonds due Nov. 1, 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 up to 11 a.m. (EST) on Nov. 14 at 49 Federal St., Boston, Mass.

**Sinclair Oil Corp. (11/15)**
Oct. 25 filed, not to exceed $170,593,900 of convertible subordinated debentures due Dec. 1, 1986, to be offered for subscription by common stockholders of record Nov. 14, 1956, on the basis of $100 of debentures for each nine common shares held; rights to expire on Dec. 3. **Price**—To be supplied by amendment (expected to be 100% of principal amount). **Proceeds**—For capital expenditures. **Underwriters** — Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York 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 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.**
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 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.

**Spar-Mica Corp., Ltd. (11/19-21)**
Oct. 29 filed 400,000 shares of 5% convertible preferred stock (par $5). **Price** — To be supplied by amendment (proposed maximum offering price is $6 per share). **Proceeds**—For construction costs. **Office**—Montreal, Canada. **Underwriters**—Hamlin & Lunt, Buffalo, N. Y.; Allen & Co. and Cowen & Co., both of New York, N. Y.; and Straus, Blosser & McDowell, Chicago, Ill.

**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.

**Sun Castle, Inc., Pompano Beach, Fla.**
Oct. 15 filed 1,598 shares of common stock (par $5) and 800 registered 6% mortgage bonds due March 15, 1972 (of $1,000 principal amount each). **Price**—At par. **Proceeds**—To construct and operate a resort motel and club upon property in Broward County, Fla. **Underwriter**—None. Ernest C. Cassill is President and Treasurer.

**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.

**Texas Power & Light Co. (11/20)**
Oct. 16 filed $10,000,000 of first mortgage bonds due 1986. **Proceeds**—To repay advances and for construction program. **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 to be received up to 11:30 a.m. (EST) on Nov. 20.

**Theatrical Interests Plan, Inc., New York City**
Oct. 30 filed 52,000 shares of class A stock (par five cents) and 28,000 shares of class B stock (par five cents). **Price**—Of class A, expected at $10 per share in lots of not less than 25 shares; of class B, expected at par. **Proceeds**—For investment in theatrical and entertainment fields. **Business**—A non-diversified closed-end management investment company. **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.

● **United Cuban Oil, Inc. (11/19-21)**
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. (amendment filed Oct. 16 reducing proposed offering to 1,000,000 shares). **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. **Offering**—Expected this week.

**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.

★ **Uranium Exploration, Inc.**
Oct. 23 (letter of notification) 400,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Address**—P. O. Box 852, 12-Eighth Ave., Minot, N. D. **Underwriter**—None.

● **Van Horn Butane Service (11/14)**
Sept. 28 filed 44,000 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.

**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.")

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**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.

**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.

# Prospective Offerings

**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.

**Associated Truck Lines, Inc.**
Oct. 11 it was announced corporation plans to issue and sell $1,000,000 of 6% convertible subordinated debentures due Oct. 1, 1971 at par and 75,000 shares of common stock (par $3) at $11 per share (the latter for the account of selling stockholders). **Proceeds**—From sale of debentures, for expansion and working capital. **Business**—A short haul motor common carrier operating over 3,300 miles or routes in Illinois, Indiana, Michigan and Ohio. **Office**—Grand Rapids, Mich. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass., and New York, N. Y. **Offering**—Indefinitely postponed.

**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.

**Burroughs Corp.**
Oct. 15 it was announced that plans for new financing totaling between $25,000,000 and $30,000,000, probably in the form of convertible debentures. **Proceeds**—For expansion program. **Underwriter** — May be Lehman Brothers, New York.

**Carolina Power & Light Co.**
Oct. 15 it was reported company plans to issue and sell between $15,000,000 and $20,000,000 of first mortgage bonds. **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). **Offering**—Expected in 1957.

**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 stockholders of record Nov. 15, 1956 on the basis of one new share for each 12 shares held; rights to expire on Dec. 3. **Underwriter**—The First Boston Corp., New York.

★ **Chesapeake & Ohio Ry. (11/15)**
Bids are expected to be received by the company on Nov. 15 for the purchase from it of $7,800,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co.; Salomon Bros. & Hutzler.

**Chicago, Burlington & Quincy RR. (11/8)**
Bids will be received by this company at its office in Chicago, Ill., up to noon (CST) on Nov. 8 for the purchase from it of $3,600,000 equipment trust certificates to be dated Nov. 1, 1956 and to mature in 30 equal semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**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.

**Chicago & North Western Ry. (11/8)**
Bids will be received by the company, at 400 West Madison St., Chicago 6, Ill., up to noon (CST) on Nov. 8 for the purchase from it of $3,375,000 equipment trust certificates to be dated Nov. 15, 1956 and to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● **Delaware Power & Light Co. (12/11)**
Oct. 26 it was announced company plans to sell 80,000 shares ($8,000,000 of preferred stock. **Proceeds** — For construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: White, Weld & Co. and Shields & Co. (jointly); Kidder, Peabody & Co. and Harriman Ripley & Co., Inc. (jointly); Kuhn, Loeb & Co. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; W. C. Langley & Co. and Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co., Inc., and The First Boston Corp. (jointly). **Registration**—Planned for about Nov. 14. **Bids**—Expected to be received on Dec. 11.

**Eversweet, Inc.**
Oct. 15 it was reported that this company (a consolidation of Vita-Fresh Corp. and John H. King & Co.) plans early registration of 100,000 shares of common stock. **Price**—$5 per share. **Business**—Producers of fresh orange juice. **Underwriter**—Burton J. Vincent & Co., Chicago, Ill.

**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.

**Florida Power & Light Co. (12/11)**
Oct. 15 it was reported company plans to issue and sell approximately $20,000,000 30 - year first mortgage bonds. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Blyth & Co., Inc.; White, Weld & Co.; Lehman Brothers. **Bids** — Tentatively expected to be received up to 11:30 a.m. on Dec. 11.

**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.

**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.

**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.

**Illinois Central RR. (12/11)**
Bids are expected to be received by the company on Dec. 11 for the purchase from it of $9,000,000 equipment trust certificates to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**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).

**Libby, McNeill & Libby**
Oct. 15 it was reported that the company is said to be considering new financing in the neighborhood of between $15,000,000 to $20,000,000. **Underwriter**—May be Glore, Forgan & Co., New York.

**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.

**Louisville & Nashville RR. (11/13)**
Bids will be received by this company up to noon (EST) on Nov. 13 for the purchase from it of $7,695,000 equipment trust certificates to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**May Department Stores Co.**
July 19 it was announced that this company may undertake financing for one or more real estate companies. **Proceeds** — For development of branch stores and regional shopping centers. **Underwriters**—Goldman, Sachs & Co. and Lehman Brothers, New York.

**Metropolitan Edison Co.**
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 or early in 1957. 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.

**National Bank of Detroit**
Nov. 1 it was announced bank is offering 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**—$52 per share. **Proceeds**—For capital and surplus account. **Underwriter**—Morgan Stanley & Co., New York.

**National Cash Register Co. (12/4)**
Oct. 25 it was announced early registration is expected of $28,285,600 convertible debentures due 1981 to be offered for subscription by common stockholders of record about Dec. 4, 1956, at the rate of $100 of debentures for each 25 common shares held; rights to expire on Dec. 19. **Underwriter** — Dillon, Read & Co. Inc., New York.

● **National City Bank of Cleveland, Ohio**
Nov. 5 it was announced Bank is offering to its stockholders of record Oct. 24, 1956 the right to subscribe on or before Dec. 3 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.

**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 England Telephone & Telegraph Co. (1/8)**
Oct. 16 it was announced that the company plans to issue and sell $35,000,000 of 29-year debentures. **Proceeds**—To repay temporary borrowings. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co. **Bids** — Expected to be received on Jan. 8, 1957.

**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 Central RR. (12/6)**
Bids will be received by the company on Dec. 6 for the purchase from it of $8,055,000 equipment trust certificates dated Jan. 1, 1957 and to mature annually from Jan. 1, 1958 to 1972, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**New York State Electric & Gas Corp.**
Oct. 24 it was announced company plans to sell in the Spring of 1957, $25,000,000 of debt securities and an additional $20,000,000 in 1958. **Proceeds** — To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co. Inc. and Smith, Barney & Co. (jointly); The First Boston Corp. and Glore, Forgan & Co. (jointly); Harriman Ripley & Co. Inc.; Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly).

**Niagara Mohawk Power Corp.**
Oct. 17, Earle J. Machold, President, announced that the company plans to sell in the near future $50,000,000 of convertible debentures. The stockholders on Dec. 4 will vote on approving this issue. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly).

**Northern Natural Gas Co.**
July 19 it was reported company plans to finance its 1956 construction program (costing about $40,000,000) through issuance of debentures and treasury funds in latter part of year. **Underwriter**—Probably Blyth & Co., Inc.

**Offshore Gathering Corp., Houston, Texas**
**Nov. 18, 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 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.

**Pennsylvania RR.**
Bids are expected to be received by the company sometime in December for the purchase from it of about $9,200,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**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 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 Colorado**
Oct. 8 it was reported company plans the issue and sale of $30,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Lehman Brothers; Harriman Ripley & Co. Inc. **Bids**—Expected to be received early in 1957.

**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). Offering postponed.

**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 National Bank of Tacoma**
Oct. 18 it was announced stockholders will vote Nov. 14 on approving a proposed offering of 25,000 additional shares of new capital stock on the basis of one new share for each three shares held. **Price**—$30 per share. **Proceeds**—To increase capital and surplus.

**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.

**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 to offer to stockholders 292,000 additional shares of common stock on a 1-for-14 basis. **Proceeds**—For construction program. **Underwriter**—Dillon, Read & Co., 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 Eastern Transmission Corp. (12/10-21)**
Oct. 9 it was announced plans to issue and sell, subject to market conditions, $40,000,000 of debentures due 1976. **Proceeds**—For expansion program. **Underwriter**—Dillon, Read & Co. Inc., New York.

★ **Trans-Canada Pipe Line, Ltd.**
Nov. 1 it was announced public offering is expected late in December of $60,000,000 of 30-year debentures and $30,000,000 of common stock in units. **Proceeds**—For construction program. **Underwriters**—Lehman Brothers (in U. S.) and Nesbitt, Thomson & Co. (in Canada).

**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. **Offering**—Expected by 1958.

**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. (11/20)**
Nov. 5, it was announced public offering of an issue of 619,776 shares of class A common stock (par $1) is planned. **Price**—$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

Investment interests cannot find much to get excited about as they look over the picture shaping up for the balance of the year. Basically, of course, the reelection of President Eisenhower for another term was regarded as good news.

**But it was recognized that the outcome of the election this week probably removed any likelihood of a change in monetary policy over the near term. Naturally there will be some corporate financing through the remaining weeks of the year and the government probably will be in the market for funds.**

However, the secondary market is not expected to do much in the interval, particularly since the volume of business borrowings still is heavy. In the circumstances, say observers, it is difficult to anticipate any turnabout in the money market.

**Nevertheless, if the expansion in industry is to continue, corporations must obtain a portion of the required funds in the money market and must be prepared to pay the going rate. Taking the tax angle into consideration the firming of money rates has not, it is pointed out, hit borrowers as severely as might seem indicated.**

The group which brought out Consolidated Edison Co.'s $40 million of 30-year first and refunding 4¼s about a fortnight ago, announced closing of the books, indicating the "pot" had been cleaned. But dealers generally had bonds available.

**"Rights" Offerings**

Next week's calendar is bolstered by two unusually large "rights" offerings which will swell the total for the period to respectable proportions. One of these is Chase Manhattan Bank's prospective offering of a million new shares to its holders of record Nov. 16, if holders approve the plan the day before. The offering would be in the ratio of one new share for each 12 held.

Meantime, bankers underwriting the Sinclair Oil Corp's offering of $170.6 million of subordinated debentures to that firm's holders of record Nov. 14 are prepared to open books. Holders would be entitled to subscribe for $100 of debentures for each nine shares of stock they hold.

**Other Issues on Tap**

Public Service Electric & Gas Corp. is slated to open bids on Wednesday for its $50 million of new 30-year bonds. Funds will be used to liquidate bank loans and to finance new construction, with three groups lined up for the race.

Two fair-sized railway equipment trust issues are up for bids, with Louisville & Nashville offering $7.60 million of such certificates and Chesapeake & Ohio's $7.8 million equipment offer.

The first new oil company issue in quite a spell takes the form of $8 million of 15-year subordinated debentures to be offered for San Jacinto Petroleum Co.

**Another Big Success**

Officials of American Telephone & Telegraph Co., have announced that its offering of 5.7 million shares of $100 par stock, via "rights," to stockholders will go down as one of its most successful ventures.

Books closed on Monday but complete final figures, due to the enormous scope and complexity of the operation, were not available immediately.

Shareholders received the right to subscribe for the new stock in the ratio of one share for each 10 shares held on the record date set for the offering.

## Joins Hill Richards

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Richard T. Quaile has joined the staff of Hill Richards & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange. He was previously with Columbia Securities Company, Inc., of California.

## With Francis I. Du Pont

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Charles N. Alexander has become affiliated with Francis I. du Pont & Co., 317 Montgomery Street. He was formerly with Walston & Co., Inc.

## Joseph A. Ryan

Joseph A. Ryan passed away Nov. 1 at the age of 52. He was President of Ryan, Hall & Co. of New York.

# 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) | Nov. 11 | §100.6 | *101.3 | 100.9 | 99.6 |
| Equivalent to— | | | | | |
| Steel ingots and castings (net tons) | Nov. 11 | §2,476,000 | *2,493,000 | 2,483,000 | 2,404,000 |
| **AMERICAN PETROLEUM INSTITUTE:** | | | | | |
| Crude oil and condensate output—daily average (bbls. of 42 gallons each) | Oct. 26 | 6,998,200 | 6,997,350 | 7,044,100 | 6,749,500 |
| Crude runs to stills—daily average (bbls.) | Oct. 26 | ¶7,670,000 | 7,530,000 | 7,912,000 | 7,476,000 |
| Gasoline output (bbls.) | Oct. 26 | 25,931,000 | 25,658,000 | 27,093,000 | 27,075,000 |
| Kerosene output (bbls.) | Oct. 26 | 2,680,000 | 2,772,000 | 2,484,000 | 2,050,000 |
| Distillate fuel oil output (bbls.) | Oct. 26 | 12,389,000 | 11,979,000 | 12,744,000 | 11,250,000 |
| Residual fuel oil output (bbls.) | Oct. 26 | 7,742,000 | 7,742,000 | 7,622,000 | 7,811,000 |
| Stocks at refineries, bulk terminals, in transit, in pipe lines— | | | | | |
| Finished and unfinished gasoline (bbls.) at | Oct. 26 | 171,985,000 | 173,087,000 | 174,720,000 | 151,607,000 |
| Kerosene (bbls.) at | Oct. 26 | 34,518,000 | 33,929,000 | 33,817,000 | 36,436,000 |
| Distillate fuel oil (bbls.) at | Oct. 26 | 156,851,000 | 155,288,000 | 150,367,000 | 151,566,000 |
| Residual fuel oil (bbls.) at | Oct. 26 | 47,493,000 | 47,715,000 | 47,499,000 | 46,299,000 |
| **ASSOCIATION OF AMERICAN RAILROADS:** | | | | | |
| Revenue freight loaded (number of cars) | Oct. 27 | 816,803 | 828,741 | 831,438 | 829,648 |
| Revenue freight received from connections (no. of cars) | Oct. 27 | 667,997 | 676,559 | 692,324 | 690,372 |
| **CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:** | | | | | |
| Total U. S. construction | Nov. 1 | $350,139,000 | $550,482,000 | $491,008,000 | $394,011,000 |
| Private construction | Nov. 1 | 165,918,000 | 419,790,000 | 245,050,000 | 278,458,000 |
| Public construction | Nov. 1 | 184,221,000 | 130,692,000 | 245,958,000 | 115,553,000 |
| State and municipal | Nov. 1 | 166,045,000 | 99,146,000 | 199,356,000 | 96,869,000 |
| Federal | Nov. 1 | 18,176,000 | 31,546,000 | 46,602,000 | 18,684,000 |
| **COAL OUTPUT (U. S. BUREAU OF MINES):** | | | | | |
| Bituminous coal and lignite (tons) | Oct. 27 | 10,440,000 | *10,540,000 | 10,510,000 | 9,991,000 |
| Pennsylvania anthracite (tons) | Oct. 27 | 642,000 | 692,000 | 656,000 | 505,000 |
| **DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100** | Oct. 27 | 128 | 129 | 130 | 126 |
| **EDISON ELECTRIC INSTITUTE:** | | | | | |
| Electric output (in 000 kwh.) | Nov. 3 | 11,487,000 | 11,391,000 | 11,342,000 | 10,853,000 |
| **FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.** | Nov. 1 | 271 | 267 | 253 | 237 |
| **IRON AGE COMPOSITE PRICES:** | | | | | |
| Finished steel (per lb.) | Oct. 30 | 5.622c | 5.622c | 5.622c | 5.174c |
| Pig iron (per gross ton) | Oct. 30 | $63.04 | $63.04 | $63.04 | $59.09 |
| Scrap steel (per gross ton) | Oct. 30 | $57.50 | $56.83 | $57.33 | $44.50 |
| **METAL PRICES (E. & M. J. QUOTATIONS):** | | | | | |
| Electrolytic copper— | | | | | |
| Domestic refinery at | Oct. 31 | 35.700c | 38.575c | 39.675c | 42.700c |
| Export refinery at | Oct. 31 | 34.350c | 33.950c | 36.600c | 44.450c |
| Straits tin (New York) at | Oct. 31 | 112.250c | 105.625c | 103.500c | 96.250c |
| Lead (New York) at | Oct. 31 | 16.000c | 16.000c | 16.000c | 15.500c |
| Lead (St. Louis) at | Oct. 31 | 15.800c | 15.800c | 15.800c | 15.300c |
| Zinc (East St. Louis) at | Oct. 31 | 13.500c | 13.500c | 13.500c | 13.000c |
| **MOODY'S BOND PRICES DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | Nov. 6 | 90.45 | 90.80 | 92.06 | 96.28 |
| Average corporate | Nov. 6 | 98.25 | 98.41 | 99.20 | 107.80 |
| Aaa | Nov. 6 | 101.47 | 101.64 | 102.80 | 111.25 |
| Aa | Nov. 6 | 100.32 | 100.65 | 101.31 | 109.79 |
| A | Nov. 6 | 98.25 | 98.41 | 99.52 | 107.62 |
| Baa | Nov. 6 | 93.08 | 93.08 | 93.82 | 102.80 |
| Railroad Group | Nov. 6 | 96.69 | 97.00 | 98.09 | 106.21 |
| Public Utilities Group | Nov. 6 | 98.41 | 98.57 | 99.36 | 107.98 |
| Industrials Group | Nov. 6 | 99.52 | 99.68 | 100.16 | 109.06 |
| **MOODY'S BOND YIELD DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | Nov. 6 | 3.28 | 3.26 | 3.14 | 2.78 |
| Average corporate | Nov. 6 | 3.86 | 3.65 | 3.80 | 3.29 |
| Aaa | Nov. 6 | 3.66 | 3.65 | 3.58 | 3.10 |
| Aa | Nov. 6 | 3.73 | 3.71 | 3.67 | 3.18 |
| A | Nov. 6 | 3.86 | 3.85 | 3.78 | 3.30 |
| Baa | Nov. 6 | 4.20 | 4.20 | 4.15 | 3.58 |
| Railroad Group | Nov. 6 | 3.96 | 3.94 | 3.83 | 3.38 |
| Public Utilities Group | Nov. 6 | 3.85 | 3.84 | 3.79 | 3.28 |
| Industrials Group | Nov. 6 | 3.78 | 3.77 | 3.74 | 3.22 |
| **MOODY'S COMMODITY INDEX** | Nov. 6 | 420.4 | 418.1 | 421.3 | 398.0 |
| **NATIONAL PAPERBOARD ASSOCIATION:** | | | | | |
| Orders received (tons) | Oct. 27 | 240,275 | 251,985 | 249,859 | 284,924 |
| Production (tons) | Oct. 27 | 278,432 | 276,397 | 271,570 | 288,522 |
| Percentage of activity | Oct. 27 | 97 | 94 | 95 | 102 |
| Unfilled orders (tons) at end of period | Oct. 27 | 401,797 | 442,344 | 410,178 | 591,291 |
| **OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100** | Nov. 2 | 109.49 | 109.49 | 109.15 | 107.15 |
| **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 | Oct. 13 | 973,024 | 1,478,649 | 1,214,066 | 1,261,044 |
| Dollar value | Oct. 13 | $59,589,680 | $81,390,885 | $70,236,768 | $65,732,153 |
| Odd-lot purchases by dealers (customers' sales)— | | | | | |
| Number of orders—Customers' total sales | Oct. 13 | 690,029 | 888,436 | 917,060 | 1,075,018 |
| Customers' short sales | Oct. 13 | 6,038 | 8,822 | 4,857 | 10,181 |
| Customers' other sales | Oct. 13 | 683,991 | 879,614 | 912,203 | 1,064,837 |
| Dollar value | Oct. 13 | $34,093,982 | $45,227,452 | $45,892,432 | $57,896,498 |
| Round-lot sales by dealers— | | | | | |
| Number of shares—Total sales | Oct. 13 | 157,590 | 170,200 | 234,960 | 269,790 |
| Short sales | Oct. 13 | ------ | ------ | ------ | ------ |
| Other sales | Oct. 13 | 157,590 | 170,200 | 234,960 | 269,790 |
| Round-lot purchases by dealers— | | | | | |
| Number of shares | Oct. 13 | 479,170 | 764,100 | 551,120 | 479,500 |
| **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 | Oct. 13 | 373,320 | 560,790 | 420,140 | 437,120 |
| Other sales | Oct. 13 | 7,453,500 | 10,680,240 | 10,073,690 | 12,269,010 |
| Total sales | Oct. 13 | 7,826,820 | 11,240,430 | 10,493,830 | 12,706,130 |
| **ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:** | | | | | |
| Transactions of specialists in stocks in which registered— | | | | | |
| Total purchases | Oct. 13 | 1,043,320 | 1,448,960 | 1,304,100 | 1,930,410 |
| Short sales | Oct. 13 | 186,980 | 291,270 | 214,230 | 226,110 |
| Other sales | Oct. 13 | 825,600 | 1,302,720 | 1,021,780 | 1,658,590 |
| Total sales | Oct. 13 | 1,012,580 | 1,593,990 | 1,236,010 | 1,884,700 |
| Other transactions initiated on the floor— | | | | | |
| Total purchases | Oct. 13 | 220,420 | 322,220 | 280,780 | 454,440 |
| Short sales | Oct. 13 | 15,700 | 41,000 | 25,100 | 19,700 |
| Other sales | Oct. 13 | 248,940 | 330,700 | 290,450 | 418,440 |
| Total sales | Oct. 13 | 264,640 | 371,700 | 315,550 | 438,140 |
| Other transactions initiated off the floor— | | | | | |
| Total purchases | Oct. 13 | 364,152 | 545,048 | 580,405 | 566,425 |
| Short sales | Oct. 13 | 83,770 | 98,810 | 79,330 | 67,230 |
| Other sales | Oct. 13 | 453,442 | 599,818 | 586,645 | 566,294 |
| Total sales | Oct. 13 | 537,212 | 698,628 | 665,975 | 633,524 |
| Total round-lot transactions for account of members— | | | | | |
| Total purchases | Oct. 13 | 1,627,892 | 2,316,228 | 2,165,285 | 2,951,275 |
| Short sales | Oct. 13 | 286,450 | 431,080 | 318,660 | 313,040 |
| Other sales | Oct. 13 | 1,527,982 | 2,233,238 | 1,898,875 | 2,643,324 |
| Total sales | Oct. 13 | 1,814,432 | 2,664,318 | 2,217,535 | 2,956,364 |
| **WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):** | | | | | |
| Commodity Group— | | | | | |
| All commodities | Oct. 30 | 114.9 | 115.0 | 115.2 | 111.3 |
| Farm products | Oct. 30 | 87.9 | 88.2 | 89.3 | 85.6 |
| Processed foods | Oct. 30 | 102.6 | 103.1 | 104.9 | 98.8 |
| Meats | Oct. 30 | 80.5 | 82.2 | 91.1 | 77.1 |
| All commodities other than farm and foods | Oct. 30 | 123.0 | 123.0 | 122.6 | 118.7 |

*Revised figure. ¶Includes 1,157,000 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 125,828,310 tons. †Number of orders not reported since introduction of Monthly Investment Plan.

| | Latest Month | Previous Month | Year Ago |
|---|---|---|---|
| **BANK DEBTS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**—Month of August (in thousands) | $183,819,000 | $181,284,000 | $167,343,000 |
| **BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES** — Month of August (millions of dollars): | | | |
| Manufacturing | $49,400 | *$49,200 | $44,300 |
| Wholesale | 12,800 | 12,800 | 11,900 |
| Retail | 23,800 | 23,800 | 23,300 |
| Total | $86,000 | *$85,800 | $79,600 |
| **CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES**—Estimated short and intermediate term credit, in millions as of Sept. 29: | | | |
| Total consumer credit | $40,074 | $39,878 | $36,169 |
| Instalment credit | 30,707 | 30,644 | 27,702 |
| Automobile | 14,533 | 14,530 | 13,075 |
| Other consumer goods | 7,497 | 7,093 | 6,959 |
| Repairs and modernization loans | 1,758 | 1,734 | 1,625 |
| Personal loans | 6,919 | 6,887 | 6,043 |
| Non-instalment credit | 9,367 | 9,234 | 8,467 |
| Single payment loans | 3,361 | 3,295 | 2,776 |
| Charge accounts | 3,780 | 3,696 | 3,586 |
| Service credit | 2,226 | 2,243 | 2,105 |
| **CONSUMER PRICE INDEX — 1947-49 = 100**—Month of September: | | | |
| All items | 117.1 | 116.8 | 114.9 |
| Food | 113.1 | 113.1 | 111.6 |
| Food at home | 111.7 | 111.8 | 110.4 |
| Cereals and bakery products | 126.6 | 126.3 | 124.0 |
| Meats, poultry and fish | 101.3 | 99.9 | 103.5 |
| Dairy products | 109.8 | 109.2 | 106.5 |
| Fruits and vegetables | 114.8 | 120.7 | 110.2 |
| Other foods at home | 115.4 | 113.9 | 114.1 |
| Housing | 122.5 | 122.2 | 120.4 |
| Rent | 133.4 | 133.2 | 130.5 |
| Gas and electricity | 112.2 | 112.1 | 111.2 |
| Solid fuels and fuel oil | 130.5 | 129.5 | 125.2 |
| Housefurnishings | 103.3 | 102.6 | 103.6 |
| Household operation | 123.7 | 123.4 | 119.8 |
| Apparel | 106.5 | 105.5 | 104.6 |
| Men's and boys' | 108.3 | 107.7 | 105.8 |
| Women's and girls' | 99.6 | 98.1 | 99.5 |
| Footwear | 126.0 | 124.8 | 118.1 |
| Other apparel | 92.0 | 91.5 | 91.0 |
| Transportation | 128.6 | 128.5 | 125.3 |
| Public | 173.0 | 172.9 | 166.9 |
| Private | 118.7 | 118.6 | 115.8 |
| Medical care | 134.0 | 133.3 | 128.2 |
| Personal care | 120.5 | 120.3 | 116.6 |
| Reading and recreation | 108.4 | 107.9 | 105.7 |
| Other goods and services | 122.7 | 122.1 | 120.6 |
| **COTTON GINNING (DEPT. OF COMMERCE)**—As of Oct. 16 (running bales) | 8,179,054 | ------ | 7,168,157 |
| **EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES**—Month of September: | | | |
| All manufacturing (production workers) | 13,276,000 | *13,250,000 | 13,365,000 |
| Durable goods | 7,548,000 | *7,555,000 | 7,612,000 |
| Nondurable goods | 5,728,000 | *5,695,000 | 5,753,000 |
| Employment indexes (1947-49 Avge.=100)— | | | |
| All manufacturing | 107.3 | *107.1 | 108.1 |
| Payroll indexes (1947-49 Average=100)—All manufacturing | 164.2 | *161.1 | 158.6 |
| Estimated number of employees in manufacturing industries— | | | |
| All manufacturing | 17,061,000 | 17,037,000 | 16,919,000 |
| Durable goods | 9,750,000 | 9,758,000 | 9,640,000 |
| Nondurable goods | 7,311,000 | 7,279,000 | 7,279,000 |
| **LIFE INSURANCE PURCHASERS—INSTITUTE OF LIFE INSURANCE**—Month of August (000's omitted): | | | |
| Ordinary | $2,858,000 | $2,817,000 | $2,558,000 |
| Industrial | 526,000 | 503,000 | 517,000 |
| Group | 1,160,000 | 931,000 | 570,000 |
| Total | $4,544,000 | $4,251,000 | $3,645,000 |
| **MANUFACTURER'S INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES**—Month of August (millions of dollars): | | | |
| Inventories— | | | |
| Durables | $28,129 | *$28,179 | $24,768 |
| Nondurables | 21,293 | *21,059 | 19,547 |
| Total | $49,422 | *$49,238 | $44,315 |
| Sales | 27,493 | *26,158 | 27,229 |
| **NEW YORK STOCK EXCHANGE**—As of Sept. 30 (000's omitted): | | | |
| Member firms carrying margin accounts— | | | |
| Total customers' net debit balances | $2,815,555 | $2,818,531 | $2,848,115 |
| Credit extended to customers | 33,478 | 33,157 | 41,457 |
| Cash on hand and in banks in U. S. | 327,916 | 335,580 | 370,620 |
| Total of customers' free credit balances | 866,698 | 872,188 | 976,695 |
| Market value of listed shares | 210,014,933 | 221,159,683 | 197,531,241 |
| Member value of listed bonds | 100,587,883 | 101,565,726 | 104,547,615 |
| Member borrowings on U. S. Govt. issues | 84,481 | 48,590 | 95,588 |
| Member borrowings on other collateral | 2,229,618 | 2,224,551 | 2,233,556 |
| **PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)**—Month of August (in billions): | | | |
| Total personal income | $328.2 | *$324.3 | $308.7 |
| Wage and salary, receipts, total | 227.1 | 224.0 | 213.4 |
| Commodity producing industries | 96.3 | 95.9 | 92.1 |
| Distributing industries | 60.3 | 59.9 | 56.5 |
| Service industries | 30.6 | 30.4 | 28.7 |
| Government | 37.9 | 37.8 | 35.1 |
| Less employees' contribution for special insurance | 5.9 | 5.8 | 5.3 |
| Other labor income | 7.3 | 7.3 | 7.1 |
| Proprietors' and rental income | 51.0 | *50.5 | 49.0 |
| Personal interest income and dividends | 29.9 | *29.7 | 27.1 |
| Total transfer payments | 18.8 | 18.6 | 17.4 |
| Total nonagricultural income | 312.9 | *309.4 | 293.8 |
| **REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD**—Month of August (000's omitted): | | | |
| Savings and loan associations | $920,744 | $851,024 | $1,059,997 |
| Insurance companies | 163,466 | 158,843 | 163,174 |
| Bank and trust companies | 507,563 | 464,305 | 521,302 |
| Mutual savings banks | 181,326 | 168,146 | 179,355 |
| Individuals | 319,126 | 307,345 | 309,642 |
| Miscellaneous lending institutions | 452,092 | 424,466 | 463,068 |
| Total | $2,544,317 | $2,374,129 | $2,696,538 |
| **TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.**—Month of September: | | | |
| Net sales | ------ | ------ | ------ |
| Net purchase | $8,437,350 | $9,400,000 | $11,820,500 |

*Revised

*Continued from page 2*

# The Security I Like Best

of 2,000 miles each a year . . . compared with 14 round trips for a C-3 type cargo ship, and can carry about 50% more cargo a year than conventional freighters of comparable capacity.

Through interchange agreements with various motor freight lines, a shipper in any part of the United States can send goods to . . . or receive goods from the overseas area served by TMT. The original trailer picking up the cargo travels right through to its final destination.

TMT is the only company with vessels in operation using the roll-on, roll-off "fishy-back" concept . . . although other shipping companies are planning "fishy-back" operations . . . and about 35 applications are in to build "fishy-back" type vessels. . . . It appears unlikely that any of these companies will be able to initiate "fishy-back" operations before 1960.

**Operating Equipment**

TMT Trailer Ferry and its three wholly-owned subsidiaries on last count owned eight and were operating six roll-on, roll-off trailer vessels. Two are in the process of being converted . . . in addition, the company owns 470 trailers, 54 tractors and 35 trucks.

At present, the main stay of TMT's operations is three LSTs which have been converted to the roll-on, roll-off concept and are towed by tugs. The LSTs have a capacity of 55 trailers and require 18 days for a round trip vogage between Jacksonville, Fla., Puerto Rico and the Virgin Islands.

The company has under construction, its first of a fleet of self-propelled trailer ferry ships. . . . The TMT "Carib Queen" which should be ready for her maiden voyage sometime in December (1956).

The "Carib Queen" is a "Special Purpose Ship" essential to national defense . . . and is the first roll-on, roll-off trailer ship to be granted full Federal ship mortgage insurance. She will cost the company $4.7 million and carry a Government-guaranteed mortgage of $4.1 million.

"TMT Carib Queen" will carry 92 loaded trailers, 97 automobiles, plus 500 measured tons of bulk cargo and 2,000 tons of liquid. She will be manned by a crew of 40 men . . . have a speed of about 15½ knots. . . . The "Carib Queen" is expected to earn a pre-tax profit of $2 million a year for her owners.

It is reported that TMT has arranged for the acquisition of a sister ship for the "Carib Queen" which should be in operation early in 1957.

A proposed expansion program calling for the addition of 15 trailer vessels, it is estimated, would lift annual net earnings before taxes and depreciation to around $12 million.

The first three years of TMT's operations have been more or less on an experimental basis. Beginning with improvised equipment and little cash, TMT has demonstrated that its concept of trans-ocean transportation fills a vital need and is in big demand.

In a comparatively few years, TMT's concept of roll-on, roll-off trailer ferries for trans-ocean traffic has grown to a stature that has already commanded the attention of the U. S. Government and some of the nation's leading financial institutions which have made major financial contributions to the recent growth of TMT Ferry, Inc.

The company now appears to be on the threshold of a period of accelerated expansion of its overseas operations which should result in a considerable enhancement of its earning power.

TMT's accomplishments on a small capitalization have been tremendous. Now with the support of U. S. Government guarantees, and the practical assurance of obtaining necessary funds for its ambitious expansion program from large institutional lenders . . . TMT's probable growth in the next three to five years staggers the imagination.

## Southwestern Inv. Co. Offering Underwritten

The company recently offered to its common stockholders the right to subscribe for 68,323 shares of 5¾% cumulative sinking fund preferred stock at par ($20 per share), plus accrued dividends. Each preferred share has attached a warrant to purchase one share of common stock at $16 per share to and including Nov. 30, 1958; thereafter through Nov. 30, 1960, $17 per share; thereafter through Nov. 30, 1962, $18 per share; thereafter through Nov. 30, 1964, $19; thereafter through Nov. 30, 1966, $20; and as of midnight, Nov. 30, 1966, such warrants shall expire.

The offering was underwritten by a group of underwriters headed by Schneider, Bernet & Hickman, Inc. and The First Trust Co. of Lincoln, Neb., and including Beecroft, Cole & Co.; Boettcher & Co.; Dewar, Robertson & Pancoast and Austin Hart & Parvin.

The net proceeds from the sale of the preferred stock will be used to increase working capital of the company and used in its general business, but may be initially applied to the retirement of short-term borrowings from banks under the company's lines of credit.

Southwestern Investment Co., was organized in Texas in 1930. In addition to being engaged in the financing business, both in its own name and through wholly-owned finance subsidiaries, the company has two wholly-owned insurance subsidiaries, Commercial Insurance Co., and Western National Life Insurance Co., both Texas corporations.

## New Loewi Branch

MADISON, Wis.—Loewi & Co., Incorporated, has opened a branch office at 119 Monona Avenue under the management of Robert A. Cooper.

## With King Merritt

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Richard H. Sapp and Gerald D. Toms are now affiliated with King Merritt & Co., Inc., 231 West Forty-seventh Street.

## Joins F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Robert W. Deming has joined the staff of Francis I. du Pont & Co., 1200 J Street.

### REDEMPTION NOTICE

**ABERDEEN AND ROCKFISH RAILROAD COMPANY**
**Incorporated**

**First Mortgage Three and One-Quarter Per Cent Bonds Due July 1, 1960**

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Deed of Trust dated as of July 1, 1945, between the undersigned and the Security National Bank of Greensboro, Raleigh, North Carolina, Trustee, there have been drawn by lot for redemption and it is the intention of the undersigned to pay and redeem on December 17, 1956, $6,000.00 principal amount of the above described bonds, bearing Nos.

27—40—49—59—64—74

The bonds so designated for redemption will become due and payable on said redemption date and will be redeemed on or after that date at the office of the Trustee, the SECURITY NATIONAL BANK, Raleigh, North Carolina, at par and accrued interest to redemption date. All such bonds are required to be presented for payment and redemption at said office of the Trustee on Dec. 17, 1956, on which date interest shall cease to accrue thereon.

ABERDEEN AND ROCKFISH RAILROAD COMPANY INCORPORATED
By: Forrest Lockey, Vice President
Dated: October 12, 1956

## Samuel Franklin Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Martin B. Bethell, Kenneth Cowan, James J. Hilbe, and Franklin H. Simmons have become affiliated with Samuel B. Franklin & Co., 215 West Seventh Street.

## Reinholdt Gardner Branch

FT. SMITH, Ark.—Reinholdt & Gardner have opened a branch office at 22-24 North Seventh St., under the management of Norman D. Humphries. Mr. Humphries was formerly manager of the local office of A. G. Edwards & Sons.

## With Salomon Bros.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—William L. Hildeburn, Jr. is now associated with Salomon Bros. & Hutzler, Russ Building.

### DIVIDEND NOTICES

**BROWN COMPANY**
BERLIN, N. H.
DIVERSIFIED FOREST PRODUCTS
Nibroc Towels—Bermico Pipe
Engineered Pulps and Papers

A regular quarterly dividend of 25¢ per share on the Common Stock of this Company has been declared payable December 1, 1956 to stockholders of record at the close of business November 12, 1956.

S. W. SKOWBO
Senior Vice President and Treasurer

**AMERICAN-Standard**
PREFERRED DIVIDEND
COMMON DIVIDEND

A quarterly dividend of $1.75 per share on the Preferred Stock has been declared, payable December 1, 1956 to stockholders of record at the close of business on November 21, 1956.

A quarterly dividend of 35 cents per share on the Common Stock has been declared, payable December 15, 1956 to stockholders of record at the close of business on November 21, 1956.

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION
FRANK J. BERBERICH
*Secretary*

**acf INDUSTRIES**
INCORPORATED

**Preferred Dividend No. 199**

A dividend of 62½¢ per share on the $50.00 par value 5% cumulative convertible preferred stock of this Corporation has been declared payable December 1, 1956, to stockholders of record at close of business November 15, 1956.

**Common Dividend No. 148**

A dividend of $1.00 per share on the common stock of this Corporation has been declared payable December 15, 1956, to stockholders of record at close of business November 30, 1956.

C. ALLAN FEE,
*Vice President and Secretary*

November 1, 1956

### DIVIDEND NOTICES

**Dividend Notice**
**E. L. Bruce Company**

The Board of Directors has declared a quarterly dividend of 37½c per share on the Common Stock of the Corporation, payable on December 10, 1956, to stockholders of record as of November 13, 1956.

*J. H. Worman*
*Sec.-Treas.*
Memphis, Tenn., October 30, 1956

**THE FLINTKOTE COMPANY**
New York 20, N. Y.

A quarterly dividend of $1.00 per share has been declared on the **$4 Cumulative Preferred Stock** payable December 15, 1956, to stockholders of record at the close of business November 21, 1956.

A quarterly dividend of $.60 per share has been declared on the **Common Stock** payable December 15, 1956, to stockholders of record at the close of business November 21, 1956.

A special stock dividend, has been declared, payable in **Common Stock** of the Company at the rate of 1 share of **Common Stock** for each 20 shares outstanding, payable December 15, 1956, to common stockholders of record at the close of business November 21, 1956. No cash dividend will be paid at this time on the 5% Common Stock dividend here announced.

WILLIAM FEICK, JR.,
*Treasurer*
*November 7, 1956.*

**IOWA SOUTHERN UTILITIES COMPANY**

**DIVIDEND NOTICE**

The Board of Directors has declared the following regular quarterly dividends:

35⅝ cents per share on its 4¾% Preferred Stock ($30 par)
44 cents per share on its $1.76 Conv. Preferred Stock ($30 par)
32 cents per share on its Common Stock ($15 par)

all dividends payable December 1, 1956, to stockholders of record November 15, 1956.

EDWARD L. SHUTTS,
November 5, 1956 *President.*

**GOODYEAR**

**DIVIDEND NOTICE**

The Board of Directors today declared the following dividends:

a 2 per cent common stock dividend, payable in common stock December 20, 1956 to stockholders of record at the close of business November 15, 1956.

60 cents per share on the Common Stock, payable December 15, 1956 to stockholders of record at the close of business November 15, 1956.

The Goodyear Tire & Rubber Co.
By Arden E. Firestone,
*Secretary*
*November 5, 1956*

**THE GREATEST NAME IN RUBBER**

### DIVIDEND NOTICES

**THE DAYTON POWER AND LIGHT COMPANY**
DAYTON, OHIO

**137th Common Dividend**

The Board of Directors has declared a regular quarterly dividend of 60c per share on the Common Stock of the Company, payable on December 1, 1956 to stockholders of record at the close of business on November 13, 1956.

GEORGE SELLERS, Secretary
November 2, 1956

***TITLE GUARANTEE and Trust Company***
DIVIDEND NOTICE

Trustees of Title Guarantee and Trust Company have declared a dividend of 30 cents per share designated as the fourth regular quarter-annual dividend for 1956, payable November 23, 1956 to stockholders of record on November 5, 1956.

WILLIAM H. DEATLY • *President*

**Esso**

STANDARD OIL COMPANY
(INCORPORATED IN NEW JERSEY)

The Board of Directors has declared a **Cash Dividend** on the capital stock of 60 cents per share on November 1, 1956. This dividend is payable on December 11, 1956, to stockholders of record at the close of business on November 13, 1956.

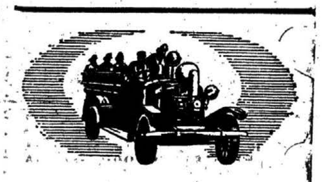
30 Rockefeller Plaza, New York 20, N. Y.

**pf**
PACIFIC FINANCE CORPORATION

**DIVIDEND NOTICE**

A regular quarterly dividend of 50 cents per share on the common stock ($10 par value), payable Dec. 1, 1956, to stockholders of record Nov. 15, 1956, was declared by the Board of Directors on Oct. 31, 1956.

B. C. Reynolds
B. C. REYNOLDS, *Secretary*



**NATIONAL UNION FIRE INSURANCE COMPANY**
**OF PITTSBURGH PA.**

**140th DIVIDEND DECLARATION**

The Board of Directors of this company today declared a cash dividend of Fifty Cents (50¢) a share on the capital stock. This cash dividend will be paid December 21, 1956 to stockholders of record at the close of business December 3, 1956.

A K Hutfull
Treasurer

November 6, 1956

# Washington... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—In the national election results themselves there is no suggestion of a change in store in the governmental climate affecting business and finance. There is only one central fact about the election. President Eisenhower won a terrific victory in a personal popularity contest with Adlai Stevenson.

This is not a quip. That is about all the election established. The Democrats at this writing seemed likely to win the House and Senate, but even if the Republicans should in later returns get one or two vote majorities in either house, they would be without the power to force through the President's programs because of the narrowness of the majority and the dissenters in their own ranks.

While the Democrats appeared to be winning both houses, here, their control is even more nominal and less substantive than would be a Republican narrow majority. Two new Senators, Talmadge of Georgia and Lausche of Ohio, for instance, are specifically dedicated against the organization party line of liberalism.

President Eisenhower's victory statement that the "New Republican Party" won a victory in the election is universally appraised as utter nonsense. The favorite bragging of the extremely Liberal Republicans is that the GOP Party is weaker than the President. If the President's line were salable, apart from the President's personality, which definitely did sell, then such men as Senator Duff of Pennsylvania, McKay in Oregon, Langlie in Washington, and so on, would not have fallen by the wayside.

**So far as Congress is concerned, the election appears to have established neither a Democratic nor Republican, Liberal or Conservative trend. Prescott Bush of Connecticut, the Liberal Republican, only got in because of the enormous personal popularity of Eisenhower. Williams won handily as Governor of Michigan while Eisenhower carried the state. In Kansas, a Republican Gubernatorial candidate opposed by Labor lost, and in Ohio a Democratic Senatorial candidate opposed by Labor, Lausche, won.**

If Eisenhower had carried most all of the Liberal GOP candidates into Congress with him then the President's spendlend programs would have been invincible. If anything, Conservative Republicans may have a little less timidity in opposing so-called liberal legislation for the President did not generally place his 100% followers in power.

One of the things hoped for is that world events may cause the President to alter some aspects of foreign policy.

Superficially it would seem that the genuinely world-shaking events abroad of the last few weeks would command the Government of the United States to make drastic alteration in its foreign and military policy.

Foreign and military policy, of course, dominate the American economy. This year the government will disburse directly in the neighborhood of $72 billion. Of this, $42 billion will consist of U. S. Defense Department military expenditures plus foreign aid, both military and economic.

Overwhelmingly Defense Department military expenditures, which will amount to some $38 billion, represents payment for goods which do not enter into consumption. The foreign aid is a direct transfer without the receipt of any foreign goods or services in payment thereof, of material from the United States economy.

**Thus this item of $42 billion, several billions larger than total business investment this year in plant and equipment, is rated as beyond doubt the greatest single inflationary force operating upon the American economy.**

It is also the reason for the existence of a level of taxation which at many points is confiscatory. If only $4 to $5 billion of foreign aid alone were abolished, as one economist has written, the confiscatory rates of personal income taxation could be repealed.

### Foreign Policy Basis

There are two primary, underlying assumptions to U. S. foreign and military policy.

First of these assumptions is that a Russia, dominated by an unquenchable desire for imperialistic expansion either by subversion or military conquest, is militarily well-near invincible.

### "Invincibility" Analyzed

Even the Germans admit that their armies were so ruthless toward the conquered Russian people of War II as to arouse them to hostility. Nevertheless, it may be doubted that the Reds in that war ever would have beaten back the Germans but for some ten billions of American transport and military equipment, plus not inconsiderable material aid also from Canada and Great Britain.

From the babble of voices in the last several months, it would appear that the barbarians of less than a generation ago have become nearly invincible. Scientists report that Russia turns out many times more scientists than the United States, that she trains more engineers, that her production of H bombs approaches that of the United States, and seemingly responsible Air Force general officers imply that Russia has acquired a fleet of long range bombers capable of delivering a death blow to the United States with nuclear weapons.

### Poland and Hungary

**Then came Poland and Hungary. What has happened in those two countries does not call for a laughing off of Russian military power. It only indicates the possibility that Russian military capabilities might be viewed in a more realized perspective. Poland and Hungary, particularly the latter, have demonstrated the ancient truth that people do not like tyrants, even those serving the modern police state. What happened in those two countries also demonstrates that the Russian colonies, sometimes called "satellite" countries, do not produce armies reliable for the conqueror. The demonstration exists even if the might of Russia, by today, has utterly crushed Hungarian revolt.**

Thus the whole Russian Empire has grave internal weaknesses.

(Just as an aside, one adjustment suggested by the Hungarian and polish episodes, is that it is perhaps unnecessary to spend, as does the government, about a quarter of a billion dollars to convince the rest of the world that the Americans are nicer people, than the Reds. This is the outlay for United States propaganda.)

### "Collective Security"

The second, underlying assumption of United States foreign and military policy is that so-called "collective security" provides a feasible means of restraining the advance of Russian imperialism.

Under "collective security" there is supposed to be an all for one and one for all endeavor among the nations of the "free world" to unite in common purpose to erect a wall against an aggressor.

**Many a man who was not even a skeptic fell off this chimera when the British and French pulled the United States back from punishing the aggression of Red China against Korea.**

However, with the decision of Britain and France to take over the Suez Canal by military action and without so much as letting the U. S. Government know about it in advance, and in further stultifying "collective action" through what is drolly called the "United Nations," it would appear to clear-headed observers that this whole chimera had finally been given its *coup de grace*.

Fundamentally few would now rate NATO as anything more than an historical document and would declare the United Nations as dead (even if its international bureaucracy, like all bureaucracies, foreign and domestic, lives on).

**Thus, the downgrading of Russian power as a consequence of Poland and Hungary plus the decision of Britain and France to kick over the entire concept of collective action to restrain aggression, gives the National Administration its best excuse since 1941 to get out of the "world leadership" business. The excuse that this was inherited policy and that it should be given a trial, would seem to offer no insuperable barrier.**

### Up To Administration

Whether the Administration will take advantage of this opportunity to strip off the whole overburden of collective security philosophy, is something, however which remains to be seen.

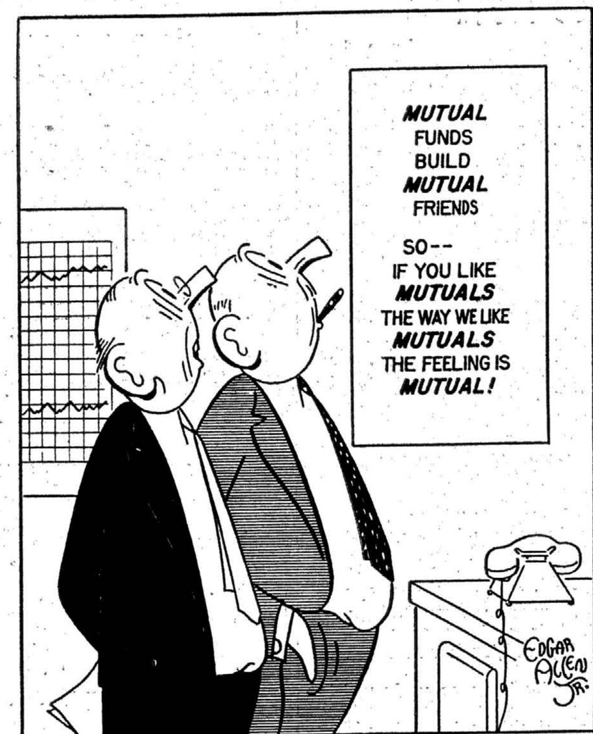
One reason for avoiding predicting a diminution of world spending and vast military spending, is that so many people have come to enjoy it. News reporters, for instance, who never earned more than $6,000 in private employment love being propagandists abroad on salaries, plus representation allowances of $12,000 per annum, with elegant apartments complete with a retinue of servants.

The entire economy is geared to a vast outlay for military and foreign spending, and so is a vast army of well-paid officials who administer this spending.

**Finally, neither major party candidate in the last election found fault with the concept as such of "collective security."**

*[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




"Think we may be overdoing it a bit?"

### Joins King Merritt

LOS ANGELES, Calif. — Allan A. Jacobs is now with King Merritt & Co., Inc., 1151 South Broadway.

## COMING EVENTS

In Investment Field

**Nov. 8-9, 1956 (New York City)** New York Society of Security Analysts Fourth regional convention at the Waldorf Astoria.

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

**Nov. 17, 1956 (Philadelphia, Pa.)** Investment Traders Association of Philadelphia Fourth Annual Dinner Dance at the Germantown Cricket Club.

**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. 10, 1957 (Philadelphia, Pa.)** Philadelphia Securities Association annual meeting at the Barclay Hotel.

**Jan. 14-16, 1957 (Chicago, Ill.)** American Bankers Association 9th National Credit Conference.

**Jan. 18, 1957 (Baltimore, Md.)** Baltimore Security Traders Association 22nd Annual Mid Winter Dinner at the Southern Hotel.

**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 at the Homestead.

**Oct. 29-Nov. 3, 1958 (Colorado Springs, Colo.)** National Security Traders Association Annual Convention at the Broadmoor.