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The COMMERCIAL and FINANCIAL CHRONICLE

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EDITORIAL

As We See It

Much speculation is current about the practical consequences of an immensely popular President being returned to the White House at the same time that his party is definitely given a vote of no confidence. History affords few if any precedents for the results of last week's voting. Both the President and the opposition party — more particularly, perhaps, the President but surely not confined to him — can with good warrant point to "mandates" from the people, or could if the issues of the campaign had been definite and clearly defined in the campaigning which preceded the election. There have, of course, been numerous other occasions when Congress and the President were of different parties, but here is a situation where the Chief Executive won almost unprecedented acclaim from the voters while the Democratic candidates for seats in Congress in the same election clearly outpulled their opposite numbers in the President's own party.

Such an outcome could happen only in a country with a government of our own peculiar sort —as distinct from such other systems as those in effect in Britain and the other democracies of the world—and it can happen here, we imagine, only by reason of the fact that there are no very clear-cut differences in political philosophies between the two parties. At least this latter seems to be the case in the voting last week. True, political orators made every endeavor to have it appear that a wide and deep gulf separated the two parties, but much of what was said was for political effect. The informed voter knew full well that such was the nature of it.

It is for this reason that the anomalous situation to prevail in Washington for at least two

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Basic Trends in the Economy And Effect Upon Securities

By SUMNER H. SLICHTER*

Lamont University Professor, Harvard University

Nationally known Harvard Economist sees attractiveness of stocks gaining relative to bonds, after analyzing net effect of five basic trends on our economy; singles out America's new and rapidly growing "industry of discovery"; notes the economy's dependence upon technology reduces its dependence upon public policy; and chooses, in this imperfect world, the evil of creeping inflation as the least of three possible evils. Trends favoring stocks, says Dr. Slichter, include diminishing susceptibility to business cycles, and long-run upward-creeping prices. Opines worker's output, recently well above 2%, may soon be above 3% per man hour.

I. Introduction

I wish to discuss five basic trends in our economy that are of great importance to all citizens but that are also of special interest to investors in securities. These trends are:

Sumner H. Slichter

(1) The growing capacity of the economy to increase production and to make technological changes.

(2) The growing capacity of the economy to increase the demand for goods.

(3) The tendency of the economy to outgrow the business cycle.

(4) The growth of institutions that tend to produce a slowly rising price level.

(5) The increasing intensity of competition.

II. The Growing Capacity of the Economy to Increase Productivity

Certainly one of the most important facts about the economy is the steady rise in its capacity to increase production and to make innovations.

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*An address by Dr. Slichter before New York Society of Security Analysts, New York City, November 8, 1956.

Savings Banking Now At a Crucial Crossroads

By GEORGE A. MOONEY*

Superintendent of Banks, State of New York

Making clear there is no partisanship indicated, New York Banking Superintendent avers savings banking "is a force we must preserve," probes what is wrong with this form of banking, and proffers a "whole spectrum of ideas for revitalizing" such institutions. Mr. Mooney calls upon savings banks to return to the mass market via family loans, limited checking accounts, FHA modernization loans, increased life insurance sales, split dividends, over-the-counter dealing with mortgage borrowers, and adoption of enthusiastic rather than negative attitude. Finds merit in branch extension, inquiries regarding trustee system, and in Federal charters.

My discussion today covers a whole spectrum of ideas for revitalizing savings banking. For a long time now we have tried to adapt savings bank powers to modern conditions. What mending and patching can do, we have largely done. But we have reached a critical stage. As in the life of a car, faithfully as it may run, there comes the day when the repair kit is not enough.

George A. Mooney

Why do I take it upon myself to propose a redefinition of savings bank functions? Because, even though some of you want merely to be left alone, I believe in savings banking and I intend to speak up. There is a job to be done—your job—for my function is supervision, not leadership. I can, however, offer a kind of blueprint which might not be otherwise available. For example, no association official who values his future, and his job, is going to spout ideas that sound too radical in public. And the urge to conform, that blight on new ideas, does its part in

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*An address by Mr. Mooney before the New York State Savings Bank Association, White Sulphur Springs, Va., Nov. 7, 1956.

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

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

W. H. HOLLY
Secretary, Sage, Rutty & Co., Inc.
Rochester, N. Y.

Joseph Bancroft & Sons Company

My current selection for "The Security I Like Best" is the common stock of Joseph Bancroft & Sons Co. Although the company is identified with the textile industry, Bancroft because of its modernization program and developments from its research activities has done considerably better than the industry as a whole.


W. H. Holly

For the fiscal year ending June 30, 1956 the company reported earnings of $1.03 per share, as compared with per share earnings of 53c in 1955 and 21c in 1954. In spite of this tremendous improvement in earnings the common stock is selling around 7½ on the Over-the-Counter Market, as compared with a high of 9¼ in February of this year, and 13¼ in 1953. The lowest the stock has sold in the past six years is 6½. Quarterly dividends in the amount of 10c per share are currently being paid.

Capitalization as of June 30, 1956 consisted of notes payable in the amount of $1,710,000 and 883,224 shares of common stock outstanding. Because of the company's favorable financial position, the company was able, during the year, to reduce notes payable by $1,000,000. Current assets were in the amount of $10,247,449 and current liabilities were $3,404,324. The book value of the common stock as of June 30, 1956 was $19.23 per share. Sales amounted to $27,581,755 compared with $23,234,497 for the preceding fiscal period.

Bancroft's ability to double its earnings each year for the past two years is to a large extent attributable to the development of new products, made possible by their Technical Division which numbers some 85 people. With the exception of the synthetic fiber producers, who are a part of the chemical industry, Bancroft is considered to have the largest and best equipped textile Technical Division in the world.

One of the most promising new products developed by Bancroft is their "Ban-Lon" yarn. This yarn is produced by an exclusive process, which puts permanent crimp in the yarn, and a number of leading textile firms both here and abroad have been licensed by Bancroft to produce the yarn, largely at present from continuous filament nylon. Since its introduction two years ago, this new yarn form has become one of the most important developments in the knitted outer-wear trade. From its first application in men's dress socks, it has successfully demonstrated its versatility in gloves, sport shirts, underwear and especially in sweaters. In a short space of time "Ban-Lon" has captured a good share of the sweater market, which market, incidentally, has sales of about $350 million annually. The company has spent a lot of money on advertising and in developing a market for "Ban-Lon," and this item started showing a profit for Bancroft about four months ago.

Another process which Bancroft has patented carries the trade name of "Everglaze." The "Everglaze Fabrics" have become world famous with the housewife who doesn't like to iron. Products carrying the "Everglaze" trademark are crease resistant, will not shrink or stretch out of shape, and require little or no ironing. Bancroft has many other products and at the close of their fiscal year had a total of 302 licensees in 31 countries in connection with their various programs. This figure compares with 34 licensees for the year 1951.

I believe that anyone with a little imagination and patience can buy the common stock of this company with a minimum of risk. I also think that they will find themselves with a nice capital appreciation on their hands when the textile industry takes a turn for the better. If Bancroft can double their earnings each year for two years running when the industry they are in is in a slump, it seems reasonable to expect more favorable earnings when conditions in the industry improve. This is probably the reasoning behind an investment trust which purchased 12,500 shares of the stock early this year at an average cost of around 8½ to 9.

KENDALL H. LUTES
Research Department
A. C. Allyn & Co., Inc., Chicago, Ill.

American-Marietta Co.

"Growth company" is a many-faceted term, which today is increasingly applied to companies of very diverse character. In the last analysis, growth must be measured in relation to such statistical comparisons as increases in sales, net profits, working capital and equity. But true growth must necessarily contain at least one additional element—a management philosophy. To supplement the natural growth of a prudently managed company it is especially desirable that a counscious management program exists which entails judicious entry into new fields indicating a faster growth rate than the general economy. This approach, coupled with a program for a broad geographical spread of plants and marketing outlets, plus high quality and performance standards, creates the true "growth company," whose achievements may then be measured.


Kendall H. Lutes

The past half dozen years have provided ample confirmation of American-Marietta's position as a "growth company." This period embraces the culmination of two distinct phases of growth in this 43-year old company. In my opinion, the remarkable record of American-Marietta is indicative of the bright future it promises and for these reasons I choose the common shares of American-Marietta as the "Security I Like Best."

American-Marietta today is the preferred supplier of hundreds of different and essential materials through its expanding family of divisions and subsidiaries. The company is now one of the major producers of cement, paint, resins, adhesives, chemicals, metal powders, household products. It manufactures a wide line of building and construction materials through a continent-wide linkage of diversified and autonomously managed companies fitted together into a single organization of great horizontal strength.

A-M's most important phase of growth began in 1935 with the joining of American Asphalt Paint Co. and Marietta Paint and Color Co., when facilities for the production of industrial finishes were acquired. This initiated a surge of expansion that is still continuing and which resulted in significant representation in growing and profitable fields. Chief among these has been building and construction materials, including cement, limestone and concrete products, which in 1955 accounted for 43.5% of the total sales dollar.

Since 1949 when the United Brick and Title Company was acquired there has been a marked period of development in the expanding building products and construction materials fields with an impressive roster of companies welded into the A-M family. A-M is now the country's largest producer of concrete pipe for drainage and sewer work and is a major producer of chemical lime, cement and concrete products. In October of 1956 A-M became one of the ten largest producers of cement by the acquisition of Dragon Cement Co. This gave A-M five well located plants through which it supplies markets from the Canadian border to Gulf of Mexico. Significant acquisitions in these growing fields during recent years have been The Master Builders Co. (1950); Lamar Pipe and Tile Co. (1953); Concrete Products Co. of America (1953), a specialist and leader in prestressed concrete bridge decks as well as sewer pipe and other precast concrete materials; Universal Concrete Pipe Co. (1953); Standard Lime and Cement Co. (1954); Southern Cement Co. (1955), a capstone in American-Marietta's growth in the building products field, and Dragon Cement Co. (1956).

Continuing growth in the other divisions, besides the building and construction materials field, is being experienced by American-Marietta.

Demand for A-M paints continues to grow, and, through extensive research and the constant development of new and better paint products, American-Marietta has steadily improved its position in the industry. It has continued its growth as a major manufacturer of specialized production line primers, surfacers and finishes through active research, expansion of facilities and progressive selling. A-M industrial paint formulations are used on thousands of quality products, including automobiles, trucks, farm machinery, railroad cars, pre-fabricated homes, office equipment, furniture and appliances.

Although A-M was originally founded as a paint manufacturing company, paint volume now accounts for less than one-third of sales. This, of course, is due to

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Bond Bear Market Soon Ending And Interest Rate Outlook

By MURRAY SHIELDS*

Senior Partner, Mackay-Shields Associates, New York City

Noted economic consultant expects long bear market in bonds to end shortly; provides evidence to support view that long rise in interest rate and bond yields will reach its crest in next few months; and assumes pattern will be far above easy-money days' level but moderately below current position —affected by gently downward broad trend and future marked by wide short range fluctuations. In contemplating an era of new economic growth records, Mr. Shields pictures two domestic threats to be inflation and/or savings-lack; believes we can safely generate enough funds for sound progress.

The long bear market in bonds which began in 1946 appears to be approaching its climax and the turning point may not be far ahead. It is, of course, possible that before the absolute lows are recorded, the bond market will experience a further decline but any such decline from this point should be shortlived. The end of the long bear market in bonds is not likely to be far away because the forces responsible for it are weakening and a new set of supply-demand pressures should shortly become operative in the money markets. While the beginning of any pronounced bull market in bonds may well be delayed for a period and in its earlier stages the rise in bond prices may be very slow, the long-term trend in bond prices over the next decade is probably going to be toward higher levels — with, of course, lower bond yields and interest rates.

Murray Shields

The basic factors[1] responsible for the long bear market in bonds need not be dealt with in detail here for they have been the subject of much discussion of late. However, it is important to recognize that they are all connected with World War II, i.e., postwar inflation based on the huge emissions of currency and bank deposits during the war, the colossal requirements for funds in the postwar years to fill the backlog of demand for plant capacity, housing and community facilities, the postwar bulge in family formation and the inevitable return to more orthodox monetary policy after the artificially easy money and pegged interest rates of the New Deal and the war years.

Evidence to Support Bond Market Shift

The prospect that we are nearing the end of the bear market in bonds—and of the rise in interest rates and bond yields—is supported by several fundamental considerations:

(1) The rate of family formation has receded and it is not likely to rise materially for several years because the number of individuals reaching the marriageable age brackets must reflect the low levels of births in the late '30's.

(2) The backlogs of demands accumulated during the long depression and in the period of wartime restrictions and controls have been or shortly will be completely filled. In addition, our raw material capacity and manufacturing capabilities have already been expanded sharply to provide a very handsome inventory of completely equipped and furnished new homes, new automobiles and new community facilities for our new families and for the millions of families which have experienced a spectacular rise in their incomes. The demands for capital during the period when we were simultaneously building capacity and expanding our stocks of goods of all descriptions in the hands of the people were understandably very heavy.

(3) We have finally grown-up-to or inflated-up-to the wartime expansion in our money supply which reduces the threat that the use of such liquid funds by their owners could produce an inflation not subject to control by the monetary authorities. The only kind of inflation we need fear today is wage inflation and it is probable that in the years ahead, public and private pressures will be brought to bear on the unions to hold their demands for wage increases to amounts which can be more nearly offset by improvements in productivity. Furthermore, if competition intensifies materially — as seems to be the prospect — management is likely to bargain much harder with the unions than it has during the past few years.

(4) With our money supply now fully in use, as is clear from the sharp rise in the rate of turnover of bank deposits, the general economic climate should before long be such that the Federal Reserve authorities will find it appropriate to provide the additional bank reserves necessary for the resumption of expansion in our money supply. Recently the expansion in money supply has de-

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*An address by Mr. Shields before the American Finance Conference, New York City, Nov. 9, 1956.

[1] See the author's addresses Feb. 14, 1946, "We Are Nearing the End of the Bull Market in Bonds" before the Queens County Bankers Association, and May 25, 1948 "The Outlook for Interest Rates" before the National Association of Mutual Savings Banks.

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More Articles in Section TWO

SECTION TWO of today's issue is devoted to the recently-concluded Convention of the National Security Traders Association, Inc., at Palm Springs, Calif. The material therein includes the following articles on the pages indicated:

Regular Features

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Discount Rail Bonds For Plump Income

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

Jotting down a shopping list of secondary rails, some with liens and some not so lean as a few years ago; and all selected especially for their appeal to income-minded buyers.

Those durable souls among us whose first experience in the selection and purchase of general market securities dates from the 1920's (or before), will recall that the individual investor of that era (especially in the earlier years of that decade) was primarily interested in bonds. Essentially, he was a buyer of income. This is quite understandable. The stock market of that day lacked the breadth, diversity, quality and dividend dependability of today's market; and the average buyer then had no background whatever in equity investments—but he knew about bonds. He knew about them, because, to finance World War I, 18 million Americans bought Liberty Bonds; and a bond with those pretty little semi-annual coupons came to be regarded as a very choice possession. Further, because the first bonds most people owned were government bonds —the safest kind—bonds, in general, came to be regarded as quite safe investments (by ignorant, and erroneous, inference) merely because government bonds always paid their interest and principal promptly.

Ira U. Cobleigh

But let's get back to our theme —income. After patriotism, that's what attracted people to bonds. And the early 1920's were an absolute field day for the income-eager investors. This decade permitted you to buy Ohio Edison 1st mortgage 6s at 96; there were Anaconda Copper 1st Consol. 6s at 96½; Pure Oil Company 6½s at 96; Bolivia 8s; Italy 7s; French 7½s, all offered at a discount; and S. W. Straus & Co. was selling 6% and 6½% real estate mortgage bonds boasting "40 years without loss to any investor."

Came the Great Depression of 1932 and hundreds of bond issues bit the dust—rubbing out their income by defaults, and lunging helplessly into bankruptcy courts. Bondholders, bitter and burnt, learned the hard way the difference between good bonds and bad —between Northern Pacific Prior Lien 4s and Wisconsin Central 1st 4s; and it was in truth no easy task to pick the issues that would ride through unscathed — issues like New York, Chicago & St. Louis 6% bonds which sold at one time at $60 per $1,000 (exactly the amount of their annual interest) yet never defaulted and were in due course paid off at par ($1,000).

But enough of this tear jerking reminiscence—it would never had occurred were it not for the fact that a number of the reorganization bonds we shall mention today are the adopted children and legal heirs of rail bankruptcies of the dismal 30's. And in the past decade we have witnessed such a resurgence in earning power, such solid establishment of solvency and such a program of debt reduction in the railroad industry, as to make the purchase of railway bonds in general, a far safer proposition than it was 30 years ago.

We'll start with some notes on issues that passed the 1930's without passing their interest. We think there's much merit in **Morris and Essex 3½s due 2000** which you can now buy at 60 yielding, currently, 5.83%. Here you have a divisional lien on 129 miles of the D. L. & W. and its terminal and pier property in Hoboken, at a whacking discount price. The road is solvent, well managed, and a good earner; and the discussed consolidation of that line with Erie and Delaware & Hudson might strengthen this issue. The current 40 point discount suggests some possibility for ultimate profit (1) from lowered general interest rates, (2) treasury purchase of debt retirement and (3) in event of redemption, or by exchange, of securities in a possible consolidation.

West Shore 1st 4s are attractive by virtue of their underlying 1st lien on the 440 miles of the West Shore division of New York Central, from Weehawken to Buffalo. If you don't like to change your bond investments around frequently, this issue is built to order, as it carries coupons for each year until 2361 A.D.! (Suggest you bury the last coupon in a time capsule under your garage.) Posterity aside, this is pretty fair railway value at 65, currently yielding a whisper above 6%. A more comprehensive mortgage (but not quite so near the tracks) is found in **New York Central Refunding and Improvement 4½s** due 2013 economically priced (as they say on TV) today as 72¼ to yield 6.2%. On an overall basis, interest charges on this issue are now earned twice over. If New York Central common is worth 50, then either of the above bonds at present discounts might appear attractive.

In point of price, the cheapest major lien of a major railroad is probably the issue of **New Haven Refunding 4s** of 2007 selling at or near a low for many years of 57 to yield currently 7%. A lien on major sections of the property of the road, as I recall it, these bonds have been beset by management changes, probable under-maintenance for a time, and a lot of tough luck in the form of accidents and floods. The earnings picture appears a bit better now, and while a measure of risk is evident, the broad lien and 43 point discount bring some market allure, and a generous yield, assuming continuous coupon payment.

We now digress to sketchier issues, depending entirely on earning power rather than on any sturdiness of lien, for whatever investment merit they appear to muster. They are grouped under the generic name, Income Bonds, hammered out on the anvil of reorganization.

Among the higher priced in this group are the **Baltimore & Ohio 4½'s of 2010** which sell at 83 to yield around 5.4%. The price of these bonds definitely reflects some belief or opinion, which you hear bandied about the board rooms, that these bonds will be redeemed well before the 21st century. As to whether or not such earlier redemption is a logical conjecture, your guess is as good as ours.

If you want really the top grade Income Bonds, you would look into **Denver and Rio Grande's 4½'s of 2018; Rock Island 4½'s due 1995; Western Pacific 4's of 1984; Wabash 4's of 1981,** and **Nickel Plate 4½'s of 1989;** but we shall not dwell on these since they yield between 4.50% and 5.25%; and our quest today was, you will recall, for low bonds with high incomes.

An interesting value, and a yield above 7%, are afforded in **Missouri Pacific Income 4¾'s due 2020.** They sell at 69, flat, with a full year's interest due and payable April 1, 1957. This security, issued Jan. 1, 1955 under the reorganization plan, is now covering its interest requirement 1.70 times. With about $69 million outstanding, the issue enjoys an active market on NYSE. For coverage, strength and yield it should rank among the best values in Income Bonds.

We also perceive some understatement of value in the present price of **Chicago & Eastern Illinois 5's of 2054** which at 66 (flat, with 2½% semi-annual interest next due May 1, 1957) to yield 8%. A return so generous on a bond covering its interest about 1.60 times, where the earnings outlook, management, and condition of property are all satisfactory, appears a bit out of line. The bonds sold at 75 earlier this year.

Another bond issue to look at is **Chicago, Milwaukee, St. Paul and Pacific 4½'s due 2044** which now sell at 61 to yield 7.3%. Here's a major northwestern road with fine (about twice) interest coverage, a 39 point discount and a conversion privilege, albeit remote, into 10 shares of common.

Also on the neglected list appear **Boston and Maine 4½'s of '70** now selling (flat) at 54¼ to yield 8½%. This road is no Union Pacific, but it does look able to pay its interest, and might be strengthened by merger someday.

Bear in mind most of the bonds we've touched upon today are not what you would call prime — a number of them are second or third grade by any criteria of investment quality. They come into our purview partly as a result of current high interest rates which, for the first time in about 20 years, have attracted individual investors into the bond market. The bonds ticked off here today are far from the best; their principal virtue is the excellent hunting ground they afford for those willing to accept the calculated risks that customarily accompany high yields.

The State of Trade and Industry

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

There was a slight rise in total industrial production in the week ended Nov. 9, and output remained well above that of a year ago, according to a nationwide survey of the business picture by Dun & Bradstreet, Inc., the national credit agency. Substantial year-to-year increases were reported in the output of steel, electric power, food products, and coal. Initial claims for unemployment insurance rose 6% this week, as scattered layoffs occurred in the food processing, apparel, leather, and textile industries. Claims exceeded those of a year ago by 4%.

Although awards for heavy civil engineering construction contracts fell 20%, a year-to-year gain of 5% was maintained. While contracts for commercial building expanded substantially, contracts for industrial and public construction declined noticeably. The cumulative total of construction awards for the first 45 weeks of 1956 was 17% higher than the comparable level last year, according to the "Engineering News Record."

Steel mills scheduled operations at 100.6% of capacity, reflecting a slight decrease from the level of the preceding week. Output continued 3% above that of a year ago. Builders of oil tankers, freight cars, and pipelines noticeably expanded their orders for steel plates and piping; bookings in cold-rolled steel sheets from automobile producers rose appreciably. The composite price on steel scrap climbed 3%.

There was a 10% rise in automotive output this week, but production was 29% below that of last year. Truck output declined fractionally, and was 18% below the corresponding 1955 level. The total production of cars and trucks from Jan. 1 to Nov. 3 of this year was 27% below the similar 1955 level.

Meat output rose 2% over both that of the previous week and a year ago. A year-to-year decrease of 4% was reported in the output of butter, while cheese production exceeded that of last year by 9%.

New orders for paperboard mounted 55% this week, but were 15% less than those of last year. Although lumber production advanced 4%, it was 5% below the comparable 1955 level.

Business Sales Dipped in September While Inventories Advanced

It was reported last week by the United States Department of Commerce that business sales during September dipped while inventories, on the other hand, advanced into higher ground.

Sales by manufacturers, wholesalers and retailers totaled $54,000,000,000 in September, the department said. This was $1,300,000,000 below August volume and $200,000,000 under the year-earlier level.

With seasonal factors taken into account, the drop from August was much less. Seasonally-adjusted September sales amounted to $54,000,000,000 compared with $54,500,000,000 in the previous month.

Business inventories rose to $86,300,000,000 at the end of September from $85,500,000,000 a month earlier. Last year at the end of September inventories amounted to $79,700,000,000.

Seasonal factors accounted for part of the inventory increase. On the seasonally-adjusted scale, the climb in stocks on hand was to $86,400,000,000 at the end of September from $86,100,000,000 a month earlier.

Department economists were inclined not to attach too much immediate importance to the September sales decline, noting that September had fewer working days than most months and felt their seasonal adjustments did not fully take this into account. Because of this factor, officials expected October sales to bounce up again significantly.

According to "The Iron Age," national metalworking weekly, the on-again-off-again hot war in Egypt is tightening up the steel market even further. Edgy steel buyers are taking no chances. They figure inventories are money in the bank regardless of whether peace is restored or fighting spreads.

As a result, storm signals are going up on products that a few weeks ago were in relatively easy supply like cold-rolled sheets. The automotive juggernaut is beginning to roll. Detroit purchasing agents are reversing their casual attitude toward steel stocks. One major car producer has upped his production immediately. The impact will be felt by steel companies in December, but whether he will get the extra steel is a question.

The shooting over Suez has injected a feeling of urgency into the market. Steel consumers are hoping for the best but preparing for any eventuality. The proposal to build 50 large oil tank-

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Commercial Finance's Contribution To Higher Business Growth Level

By HERBERT R. SILVERMAN*
Chairman of the Board,
National Commercial Finance Conference, Inc.
Executive Vice-President, James Talcott, Inc.

Despite the money market, consumer finance industry help increased more than $5 billion of this year's output and in past year borrowed 15-20% more long-term obligations from the capital market, according to Mr. Silverman. Explains the industry's role in economic growth, and points out the need for savings incentives and small business tax discrimination. Depicts real $500 billion economy by 1960, or even 1959, providing we solve the timing of money, credit and capital fluctuations; adapt credit control to special small business situations to assure this important contribution to balanced economic development; and plan savings and investment on a long-term basis. Proposes we aid small and medium firms by selective credit controls, and by adjusting the tax laws, and aid small individual saver by exempting first $100 to $200 taxable interest income from income tax.

Fighting inflationary pressures, American business passed a significant milestone this year. It pushed up output of goods and services from 391 to something of the order of $407 billion — well past the $400 billion level. And it is gaining momentum, not losing it. On the horizon is the next milestone — a $500 billion economy. We are on the way. We have begun the achievement of a new level of business growth.


Herbert R. Silverman

Our own section of the financial industry, commercial financing, played a role in that big push. This year the funds made available to business by the commercial finance industry made possible a volume of production and sales equal to a third of the growth in our country's output.

I hesitate to say that in every case the goods would not have been produced or the services rendered if our funds had not been available. But that is so often the case that I think that we, more than everyone else, tend to underestimate the importance of the services of the commercial finance industry to American business and the American people.

Our funds aided in the production and sales of more than $5 billion of this year's output. That $5 billion was an important part of the economy's growth; as I said, a third of it. In a period when the demand for credit and capital had to be adjusted to the state of the money market, that record shows that in a time of test we have not been found wanting.

The prospect of challenge in our opportunities is a happy one. But let the glow of it be tempered by the realization that opportunities bring responsibilities. That reminds me of the story of the commercial finance executive who dropped in on a night club performer and found him playing poker with his dog.

"What a clever dog you have there," the finance man remarked.

"Clever" the performer retorted. "This is the stupidest poker partner I've ever had. Every time the dumb fool gets a good hand he wags his tail."

Tail-wagging is not an exercise we indulge in. Our industry—in fact, all industry— has a good hand. But the game never ends and the stakes are high. If we recognize that we played a not unimportant role in the achievements of the present year, it is only to emphasize our responsibilities in the present and the future.

The Boom Is Based on Two Sources of Growth

Even when we grant that we helped to achieve perhaps a third of this year's phenomenal growth, we have not told the whole story of our industry's contribution. For the current boom in the American economy is based, primarily, on two sources of growth.

One is a supporting factor, the structure of personal income and wealth. The great gains in technology that have been made in this country since the late Thirties have been distributed among all our people in the form of higher real incomes and higher real increases in family asset holdings.

The total of these family assets is several times the total of personal, corporate and governmental debt—including the large but now declining national debt. 59% of United States families had incomes of $4,000 and over in 1955. 45% had $5,000 and over. 32% — a third, mind you, of all families — had incomes of $6,000 and over.

The other source of our growth is the initiating factor. Increasingly as we shifted over from a predominantly military to a civilian economy, we have increased the volume of business investment.

New industries have come along, and small industries have grown into important ones. Like color television, air conditioning, power boating and all the other interests that cater to recreation, the new metals like lithium, the new services such as jet air transportation. Yet most of the investment has gone into production facilities that increase the output from given inputs of labor and other resources.

One year's gain in output, by itself, means very little. The gains that are only beginning to come along from this special type of investment mean much. They make it possible for our very productive economy—the envy of the peoples of the world—to reach a new higher level of productiveness.

How Businesses Prepare Themselves for Expansion

Our industry is mainly a supplier of working capital and equipment capital. We are widely known as a ready source of funds for current operations, funds when they are needed, in the amounts they are needed. But it is often overlooked that an indirect result of our activities is an increase in investment capital that otherwise would not be put to work.

We serve businesses of all sizes, with special emphasis on small and medium-sized business of which there are nearly four million in this country. Such small and medium-sized businesses account for half the total volume of sales overall, and a larger percentage in retailing. These small enterprises are vital to many of the larger companies that account for the other half of sales. A single division of the largest manufacturing corporation buys supplies from more than 4,000 small producers. Another large manufacturing corporation has 10,000 small manufacturers as suppliers.

Working capital and investment capital are so intimately related within the individual enterprise that investments in plant and machinery and in product and market development are as much our concern as any aspect of its current operations. Let me illustrate:

In one of the southern states, when the war came along, there was a small manufacturer of farm machinery. It operated in a small town where it was the only industry. The government directed it to turn out tanks. It threw all it had into tank production and did an outstanding job. But when the war ended, all it had was a pennant with an "E" on it. Its prewar business was gone.

The town desperately needed the factory's employment. The company decided to go into the manufacture of truck trailers. The RFC was ready to provide a reconversion loan but it was not large enough to finance operations.

The company turned to a commercial finance company; none of the other financial institutions could handle a problem of this kind. A company in our industry investigated and worked out a suitable financial plan that provided the manufacturer with an adequate line of credit and accompanying services. Today that manufacturer is the third largest maker of truck trailers in the country.

This is not an isolated case. There are many such in that commercial finance company's files, and each of you could match it with similar accounts. Our industry is proud of the growth records of our clients and of the men in those businesses whom we are privileged to help make the most of their opportunities.

The growth record of that truck trailer company is the achievement of its management and there is where the credit should go. But I ask, who translated the investment funds into investment capital at work, reopening the factory, providing stable employment and adding a strong company to the country's economy?

The financial institution that was ready to supply the investment funds but couldn't get the operation started? Or the commercial finance company whose participation was decisive, whose working capital put both investment and current operating funds to work?

Smaller Companies Are Lagging In Investment Boom

During these past few years many companies have adopted expansion and modernization programs. The result is the very high level of business investment. This movement is general among large companies. But it is far from being general among small and medium-sized companies.

That is the most important problem that the American people face today. How can American business, with the cooperation of government, create the conditions under which small and medium-sized enterprises can take an active part in sustaining a new period of sound economic growth? How can small and medium-sized companies claim their proper share of the opportunities to develop and grow that arise from our high level of prosperity?

We can have, without price inflation, a $500 billion economy by 1960. In fact, we might be able to achieve it by 1959. But we will

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*An address by Mr. Silverman before 12th Annual Convention of the Commercial Finance Conference, New York City, Oct. 29, 1956.

Current Popular Delusions About The Stock Split and Stock Dividend

By A. WILFRED MAY*

Mr. May sees the stock split "craze," with its self-propelled pyramiding, as a speculative Frankenstein ending in stockholder disillusionment and ultimate market deflation. Cites data proving unfounded the current popular assumptions that a reduced price level broadens the ownership and results in raising the equivalent market value. Regarding the stock dividend, he maintains it behooves the paying company to make it unmistakably clear to the shareholder that it merely changes the printed form of ownership, does not constitute income, that its cashing-in entails dilution of his remaining share interest, and that it affords no income tax saving. Explains the nature and results of rights offerings.

At the outset of this discussion I want to point out the basic differences between the stock split and the stock dividend. First there is the "technical" differentiation tied to definition—when is a split a dividend? Here a convenient answer is the simple formula laid down by the New York Stock Exchange, namely a dividend of more than 24% is a split.


A. Wilfred May

The second, and far more important, point of difference is constituted by the split's vital potential impact on both the market and the investor.

You should realize that the current stock split craze, manifested in this year's record number of 88 NYSE-listed splits of 4-for-1 or less (a 10% increase over last year, which had registered the previous high record), constitutes a major bull market foible. This is in line with Wall Street's recurrent psychological aberrations in elementary arithmetic. Those of you in my category of the aged who were around during the market frenzy of the 1920's, marking the wildest boom-and-crash in history, will remember that one of the major fictions contributing to that New Era's excesses was the illusion via the "investment trust" and holding company craze, that the mere process of putting together pieces of paper made the resulting whole worth a substantial premium. At that time the speculative technique was occupied with assembling a group of individual stocks into one unit, and then selling to an eager public this whole unit at a price far in excess of the total of the constituent parts—with second, third and fourth degree pyramiding—thereby glamorously exploiting the public's remarkable unawareness of the multiplication table. Thus, then the whole was deemed to be worth more than the sum of its parts.

The Bear Market Swing of the Pendulum

In the later bear, or just quiet, markets of the 1940's the investor, in the depressed stage of his manic-depressive proclivities, went to the opposite extreme—in valuing the whole at less than the parts. For years right up to their final dissolution the public utility holding companies which were in the process of liquidation, subject to constant "fish-bowl" scrutiny under the official aegis of the SEC, were quoted at considerable discounts (in lieu of the former premiums) below the value of the constituent units.

Again, now in the present bull market the public is indulging itself in the illusion that the sum of the fractional pieces of paper are worth more than the whole; with the market's unwillingness to face the realistic, if dull, fact that an increase in the number of shares by itself, of course, gives nothing that you did not own before. Comprehension of the Einstein theory is not required for you to understand that your two pieces of paper now represent exactly the same proportion of the ownership formerly expressed by your one piece of paper. A pie does not grow through its slicing!

Inflationary Bull Market Gadget

Unfortunately the results of the current split nonsense far transcend the impact on the split-involved shareholder. It has come to be used more and more as a bull market gadget. A quick price rise will follow any half-baked rumor of its slicing; with publication of lists of so-called "split candidates."

Thus the split has developed into an important stimulant of market inflation. When you stop

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*A talk by Mr. May before the Public Foundation for the Economic Education of Women, Inc., Hotel Roosevelt, New York City, Nov. 5, 1956.

Mutual Savings Banks Are Assailed on Many Fronts

By HON. GEORGE M. PENNEY*
Managing Director, Savings Banks Association of the State of New York

Making clear that mutual savings banks act for its depositors and not for a few owners, and that thrift principles have made this nation strong, Judge Penney assails those who oppose the right of individuals to pool their savings, those who advocate the abolition of mutual savings banks, and the erosion of thrift incentives brought on by contractual and forced savings. Affirms there was never a greater need for concerted action.

On this occasion my thoughts naturally turn to the role of this Association in working out the problems facing mutual savings banking today. They are many and varied — some pertaining exclusively to our particular institutions and others having to do with the whole concept of thrift and affecting all thrift institutions. Unless we address ourselves to these problems intelligently and vigorously, we will have the painful experience of gradually losing the honored and important position we now hold and have held for so long in the banking field of New York State. And if I did not think that this Association can and will make a great contribution to the collective effort to solve our problems and maintain our pre-eminent position, I would not today occupy the position I so recently assumed.


Geo. M. Penney

Mutuals Act for Its Depositors

I fully appreciate the difficulties that will beset our path and, indeed, the difficulty at times in choosing the right path. There can be no question that we must accept at all times the public interest as our guide. We must never lose sight of the fact that we are trustees for the public in handling their savings, and trustees must always act in the interest of the beneficiaries of the trust and never be motivated solely by their own personal interest. We are not operating private commercial ventures for the benefit of a few owners. We act solely for our thousands of depositors and if we keep firmly in mind the principles of trusteeship, which must guide us, there will be no difficulty in charting our proper course.

A year ago, the Superintendent of Banks asked us to decide whether we are a system or merely a group of individual banks, each following its own course. We should never, by our action, give occasion for such a question to be asked. We are a system of thrift institutions, operating under principles unique to us and which have been tested over a period of 130 years and found to be in the best interests of the savers of this State and Country, and in the best interests of the economy, our envious critics to the contrary notwithstanding.

The very success we have attained by adherence to the principle of always acting in the interests of our depositors as true trustees should, has made us the target today of frantic efforts of those who now seek to divert the benefits which accrue to the saver under our system, to their own private gain.

Never in the history of this Association was there any greater need for concerted action by the mutual savings banks of this State to preserve and expand the principles of thrift which have made this nation strong and of which we are the foremost exponents. This is our mission and our continued existence depends upon its successful execution.

Opposition to Mutual Banks

We are today assailed on many fronts. I never thought I would hear any banker assail the right of individuals to pool their savings in furtherance of their own economic well-being. Yet, in face of the critical need to increase savings acknowledged and urged by all competent authorities, we have a banker whose county has been largely developed by investments of mutual savings banks, travelling up and down the land, advocating the abolition by statute of mutual savings banks.

We, as well as all other thrift institutions, are faced with a gradual erosion of incentives to thrift, brought about by the ever-increasing available methods of contractual and forced savings of which life insurance, deductions for retirement benefits, social security and unemployment insurance, are only a few examples.

Competition from other forms of thrift institutions eager for the saver's dollar, forces us to greater efforts to maintain our position.

Operating problems in the form of increasing costs, difficulties in attracting personnel, the maintenance of adequate liquidity and many others, require constant study if we are to continue to serve the public efficiently, in this modern and rapidly changing era.

These are a few of the problems which face us and which, I believe, afford your Association great opportunities to serve its members. These tasks must be approached in a broad spirit of public service and in the public interest, and not merely for the purpose of maintaining ourselves and our individual institutions regardless of the public interest. We can not criticize others for ignoring the public interest and at the same time act like self-appointed defenders of vested rights. The only vested right we have is the right of individuals to act collectively through agents or trustees of their own choosing to promote and protect their economic well-being and it is our duty to zealously guard and protect that right. That we will do. We will vigorously oppose all efforts to deprive anyone of a free choice of methods of voluntary saving.

Needed: United Effort

If experience teaches us anything, it is that success is attained through united and collective effort. This Association is the instrument created by you through which the united efforts of all of the member banks can be channeled for the greater good of those who are served by the mutual savings banks of this State and those to whom such services should and must be made available. I welcome the opportunity to have some small part in this work. I solicit your suggestions as to how the Association can better serve you and with you, look forward to satisfying accomplishment in the days ahead.

Changes have been made in the Association setup to meet present-day needs and, undoubtedly, further changes will be required with changing conditions under which we operate. It will always be our aim to serve the member banks, large and small, as efficiently as possible. As I said before, we will welcome your suggestions as to the services which should be rendered by the Association. In rendering service to member banks, we are actually serving the depositors who constitute those banks and the depositor in the smallest bank is entitled to the same service as his brother in the largest bank and he will, of course, receive it.

We do not have all the answers, but I assure you that we of the staff, will devote our every energy to carrying on the traditions and principles which guided those who first conceived and established on so sound a basis, these mutual institutions to the end that we may all be proud of the part we have played in maintaining human dignity and freedom.

*An address by Judge Penney before Savings Banks Association of New York, White Sulphur Springs, Va., Nov. 9, 1956.

From Washington Ahead of the News

By CARLISLE BARGERON

Those good citizens who elected Eisenhower overwhelmingly and then gave him a Democratic Congress may be smacking their chops and feeling they did some very selective voting. But it's going to cost them money. There was a time when I thought a Congress and President of opposite political faiths were a very good thing because they offset each other and we had no new laws, the latter being something of which we have a gracious plenty. But the past two years have convinced me of the error of my thinking. In the first place we will have the White House or the executive branch working nights trying to think up things to do for the people and then, with every do-good proposition they come up with, the Democratic Congress will try, and most of the time succeed, in going them one better.


Carlisle Bargeron

A real conservative Administration would sit on its haunches and let the Democrats cook up the innovations and then try to sit on them. This would hold down the cost of government. But it isn't a conservative Administration we have. I believe it calls itself conservative progressive or middle of the road or something of the sort.

An example of how things will work out is the minimum wage increase at the last session of Congress. The Administration submitted a proposed raise from 75 cents to 90 cents an hour. The Democratic Congress boosted it to $1 an hour and prevailed, and throughout the campaign we heard about how stingy the Administration had been and if it hadn't been for the Democrats the poor minimum wage earner would still be working for 90 cents an hour. The facts are that had the Administration not submitted the increase to 90 cents an hour there would have been no increase.

This is the way it will be in the future. The Administration will keep proposing what it describes as moderate social advances and the Democratic Congress will keep upping it. This will cost the taxpayers money. Watch out for the Federal aid to schools. The Eisenhower Administration, already broken from the traditional Republican moorings, has moved cautiously in on Federal aid. The Democrats want to go whole hog. Watch and see if the Democrats do not now prevail.

As to how much Eisenhower will be able to make the Republican party over into his image remains to be seen. Most observers in Washington think he will have very little trouble.

He unquestionably swept the country in his own right but once again he failed to pull the Republican party in with him. He barely succeeded in doing it with his landslide victory in 1952; his appeal for a Republican Congress failed in 1954, and this time with an increasing landslide he lost the Congress.

What I think is significant is that with the exception of the two Kentuckians, John Sherman Cooper and Thruston Morton, two Eisenhower favorites, his particular pets in every instance, lost. There was Duff of Pennsylvania, for whom the President did everything but ring doorbells; there were McKay in Oregon, Langlie in Washington and Dan Thornton in Colorado. All had the President's full blessings without avail.

On the other hand, the only anti-Eisenhower Republican who lost was Welker, of Idaho, and my information is that he threw the election away, and even he had a letter of endorsement from the President. Wiley of Wisconsin, who never had any White House encouragement, and I don't understand why, won handily.

I doubt seriously that beyond the fact that we are at peace and are enjoying a great prosperity, that the rank and file of voters paid any attention to Eisenhower's policies, whether he is a moderate conservative, a progressive or a middle-of-the-roader. He simply enjoys a tremendous personal popularity which means, of course, he has the confidence of the people.

Secretary of Agriculture Benson will continue to be the whipping boy. But I fail to see any loss the Republicans will be able to attribute to him. However, his farm policies will be an issue at the next session. You may rest assured of that.

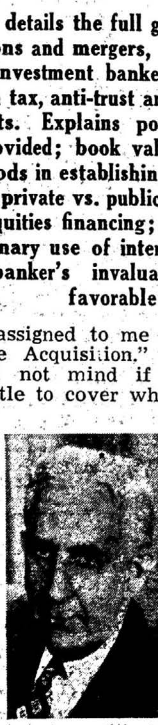
And into any consideration of how the President will fare in his efforts to make his party over into his image, it must be remembered that he can't run again.

Financing the Acquisition

By JAMES B. WALKER*
Goldman, Sachs & Co., New York City

Mr. Walker details the full gamut of investment banker's role in acquisitions and mergers, from the inception of such a step under the investment banker's guidance to the actual compliance with tax, anti-trust and registration laws, and financial arrangements. Explains policies guiding compensation for services provided; book value and earnings valuation problems; methods in establishing exchange ratios; the merits and demerits of private vs. public placement, convertible securities, debt and equities financing; and affect of money market rise and inflationary use of interim funds. Writer shows why investment banker's invaluable experience makes possible favorable trading terms.

The subject assigned to me is "Financing the Acquisition." I hope you will not mind if I broaden that title to cover what we might describe as the role of the investment banker in all of those operations which are ordinarily referred to as acquisitions, mergers, or consolidations. Money financing is often the lesser part.



James Blaine Walker

We might note, however, that while the three terms are frequently used interchangeably, they do not always have the same connotation. Proposed action may be as simple as buying a block of stock for cash, requiring perhaps only a board meeting of the buying company and leaving it only with a new investment item on its balance sheet. On the other hand, it may involve complicated exchanges of various classes of publicly-held securities, stockholder ratification, proxy solicitation, SEC registration, and a veritable host of tax and financial problems.

An amusing angle to the use of these terms in practice is that while the officers of the buying company will frequently refer to a deal as an "acquisition," the stockholders of the company selling out prefer to describe it as a "merger."

Originating Mergers

That the investment banker is frequently called upon for service in this broad field arises from some essentially practical considerations. In the ordinary course of his business, he is in contact with many corporations, heads of companies, controlling stockholder groups, etc. Representatives of the company with which I am associated are in touch through the year with several thousand different companies from Maine to California. This broad range of contact on financial matters frequently puts the investment banker in a position to receive important information about companies whose stockholders wish to sell or as to other companies whose managements have particular ideas about acquisitions. It has become common practice to consult him on these subjects. As a result, down through the years, many mergers have originated with investment bankers, an early classic example being the elder J. P. Morgan's role in forming the U. S. Steel Corporation.

Then there is the fact that in practically every acquisition or merger there arise questions of valuing securities in terms of investment quality and marketability. For the purpose of assisting clients on these matters of valuation, we ourselves maintain tables constantly brought up to date showing how these problems were solved in leading mergers and acquisitions both past and current. In addition, many merger negotiations are started with the knowledge that some financing, either direct or indirect, will eventually be involved.

Experienced Intermediary

Another aspect is too frequently overlooked. In bringing two principals together on the terms of a deal, it is found that an intermediary serves a useful role. There are many differences of opinion to iron out. An objective viewpoint drawn from experience in other similar negotiations is often helpful. Moreover, we have learned as a matter of experience that almost inevitably deals run off the track or reach an impasse several times before they can be successfully closed. A friendly third party can usually be helpful in assuring a continuance of negotiations.

In the early stages of a negotiation certain exploratory work can be done by an experienced intermediary without committing either principal or breaching any confidences. Very often helpful information can be secured without disclosing a principal's identity. This is particularly important in the case of a company whose owners or controlling stockholders are seeking a buyer. These matters must be handled with extreme discretion because if word gets freely around that a certain company is offered for sale the consequences are often serious. Potential buyers become suspicious, employee morale is disrupted, and perhaps the whole project denied any chance of success. Time and again we observe perfectly sound companies going begging because they have become shopworn as possible acquisitions. Then from the buyer's standpoint, of course, there will be occasions when a company seeking an acquisition does not want the fact known. He may wish to avoid disclosing his purpose to his competitors.

What Should Not Be Done

It might be well at this point to state some things that an investment banker should not do:

(1) He should not promote a merger unless its fulfillment promises to achieve constructive business purposes.

(2) He should not attempt to sway final judgment of management on the desirability of a proposed merger or acquisition. Management is much better qualified to weigh the business aspects which should govern in the end.

(3) He should not speculate in the securities of companies involved in acquisitons or merger negotiations in which he is serving.

When engaged in acquisition or merger work an investment banker may represent either principal or serve as a friendly umpire in working out what may be a fair deal for both. He may be retained by a client to devote a substantial amount of time aggressively seeking out acquisition opportunities. Usually his compensation is paid by the company whose officers called him in. These arrangements vary considerably and are matters to be agreed upon at an early stage of negotiation. Human nature being what it is, it is not uncommon for a principal to say in effect to the investment banker, "I want you to work for my interest but I insist that the other fellow pay your bill."

Compensation Policy

In acquisition or merger negotiations, an investment banker may be compensated in one of two ways or a combination of them:

(1) He may be paid an agreed-upon sum for his services irrespective of the outcome.

(2) He may work on a contingent basis to receive compensation only in the event that acquisitions or mergers are completed. It is this method most usually employed although, of course, it implies higher fees because successful deals have to make up for the large amount of time spent on those which are not concluded.

In both cases consideration is given to time spent, values involved, and the ultimate satisfaction of the client or clients. When working on a contingent basis fees are frequently arranged on the basis of a percentage of the price paid or security values exchanged. They vary inversely to price or value ranging anywhere from less than 1% to as much as 5%.

Purposes for Mergers

What are the purposes sought in the many acquisitions and mergers being made recently? Actually they vary over a wide range. Most common in our observation is the desire for added products to fit into established channels of distribution. Then would come the search for items which would more fully use production facilities and skills. If both of these purposes are in some degree served, all the better.

Of course, there will always be going on logical steps of integration wherein fabricators move back through lines of raw material, or parts supply, and conversely where those who produce raw materials seek to move forward toward end-product or consumer items. Occasionally we find the activating purpose to be increased plant capacity or better territorial location thereof. Also, as a sign of times, I understand some acquisitions have recently been sought in order simply to acquire highly trained scientists and research staffs.

Another purpose, however, has drawn considerable attention of late. I refer to the so-called search for diversification. While we have witnessed some startling occurrences in this area, there are some business situations in which adventuring into new fields is the part of wisdom. I can think of a manufacturer of textile machinery whose business was notoriously feast or famine. For such company it was only prudent to seek some products outside of its own industry in order to fill in some of the valleys. It would, of course, be eminently practical also for a producer to try and smooth out cyclical variations in annual business.

An interesting instance of a legitimate move in diversification was the acquisition by the Otis Elevator Company of a concern in the lift truck field. With the trend toward one-floor factories, it was logical for Otis to offer equipment for moving goods horizontally as well as vertically. Nevertheless, I am sure that most of you will agree that this purpose of diversification is one to be pursued guardedly. Distant pastures are often deceptively green.

Valuing Earning Power and Other Problems

The problems faced in working out mergers or acquisitions are, of course, myriad in variety. Valuations, union relationships, pension plans, executive stock options, not to mention tax problems, or the very human matters of pride, prestige, and face saving. Also, we should not forget the propensity of many individuals for horse-trading tactics. I recall one situation where after months of negotiation back and forth, a worn-out intermediary in the last stage of desperation finally suggested to the two principals that they retire to a private room with two bottles of whiskey and a set of boxing gloves.

The problems of establishing a value basis having regard both to book value and earnings come up in almost every acquisition. A company having high rapidly growing earnings with reference to book value will naturally expect to receive more than book value when selling out. Conversely, one with large book value and low or static earnings will want to trade on the basis of its

Continued on page 33

*An address by Mr. Walker before the American Management Association, New York City, Oct. 31, 1956.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Letter (No. 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.

Automobile Stocks — With particular reference to **Chrysler Corporation, Ford Motor Company** and **General Motors**—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

Discount Stocks—List of 45 issues selling at more than 17% beneath their 1955-6 highs—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available is a bulletin on how to figure your 1956 Federal Income Tax on security profits and losses and a Tax schedule for profits and losses on securities.

Drug Industry—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available are reports on **General Dynamics and Jefferson Lake Sulphur.**

Electronics—Study with data on the companies engaged in the industry—Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Federal and State Stock Original Issue & Transfer Tax Rates—Booklet of current rates—Registrar and Transfer Company, 50 Church Street, New York 7, N. Y.

"Floating Bank Rate"—Discussion—E. M. Saunders Limited, Victory Building, Toronto 1, Ont., Canada.

The Industry Nobody Really Knows by Graig Thompson—Booklet on how the oil industry gets its job done—President's Office, Gulf Oil Corporation, P. O. Box 1166, Pittsburgh 30, Pa.

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

1957 Forecast—Study—National Securities & Research Corporation, 120 Broadway, New York 5, N. Y.

October 1956 Stock Summary—Two weeks free trial—National Quotation Bureau, Inc., 46 Front Street, New York 4, 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—Discusses Dow-Jones Averages 1929 vs. 1956—Harris, Upham & Co., 14 Wall Street, New York 5, N. Y.

Truck Transportation—Discussion in current issue of "The Exchange"—The Exchange Magazine, 11 Wall Street, New York 5, N. Y.—10 cents per copy; $1 per year. Also in the same issue are other articles of interest to the investor.

Year-End Tax Saving Possibilities—Bulleting—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

* * *

Abbott Laboratories—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

American Machine & Foundry Co.—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **Kelsey Hayes Wheel.**

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Louis Lerner Pres. Of Caribe Stores

BOSTON, Mass. — Louis C. Lerner has been elected President of Caribe Stores, Inc., a major supermarket chain in Puerto Rico.

Louis C. Lerner

Mr. Lerner is President and director of the Victoria Investment Co., Ltd. and Chairman of the executive committee, Treasurer and a director for the National Company. He is also a director of Coplay Cement Manufacturing Co., and Mayberry Motor Freight Inc. and head of the investment firm, Lerner & Co.

Southwick Campbell Form New Inv. Co.

SEATTLE, Wash. — Southwick-Campbell & Co., Inc. has been formed with offices in the Dexter Horton Building to engage in a securities business. Glen H. Southwick is President and Treasurer; Colin A. Campbell is Vice-President and Secretary. Both were formerly officers of Grande & Co.

John J. Ryan Co. Admits E. J. Scherer

NEWARK, N. J.—John J. Ryan & Co., 786 Broad Street, announced the admission of E. Joseph Scherer as a general partner. The firm specializes in New Jersey municipal bonds.

COMING EVENTS

In Investment Field

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.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

The 23rd Annual Convention of the National Security Traders Association held at El Mirador Hotel, Palm Springs, Calif., was one of the most successful meetings of our Association. The registration which was in excess of 500 included more than 225 wives of members. The Security Traders Associations of Los Angeles and San Francisco were hosts to many of the members and their wives following the Convention. The program in both cities which included dinner and other entertainment to say nothing of the visit to Disneyland will be long remembered.

Edward H. Welch

The 24th Convention of the Association will be held at the Homstead Hotel, Hot Springs, Va., Nov. 3 to 7, 1957. The Broadmoor Hotel, Colorado Springs, has been selected for the 25th Annual Convention, Sept. 29 to Oct. 3, 1958.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York is reminding members that reservations should be made as soon as possible for the annual STANY cocktail party and dinner dance to be held this year in the Grand Ballroom of the Hotel Commodore, Saturday, Nov. 24. Tariff $30 per couple; reservations should be sent to Elbridge Smith of Stryker & Brown.

SECURITY TRADERS ASSOCIATION OF NEW YORK, INC.

The Security Traders Association of New York announces the following candidates have been nominated to hold office for the year 1957:

Nathan A. Krumholz

John F. McLaughlin

Bernard J. Conlon

Barney Nieman

Daniel G. Mullin

President: Nathan A. Krumholz, Siegel & Co.

First Vice-President: John F. McLaughlin, McLaughlin, Cryan & Co.

Second Vice-President: Bernard J. Conlon, P. F. Fox & Co.

Secretary: Barney Nieman, Carl Marks & Co., Inc.

Treasurer: Daniel G. Mullin, Tucker, Anthony & R. L. Day.

Directors (Two-Year Term): John S. Barker, Lee Higginson Corporation; Stanley E. Dawson-Smith, Cruttenden & Co.; Sidney Jacobs, Sidney Jacobs Co.; Elbridge H. Smith, Stryker & Brown.

Trustees of Gratuity Fund (Two-Year Term): Edwin J. Markham, Wertheim & Co.; James V. Torpie, Torpie & Saltzman.

National Committeemen: Samuel F. Colwell, W. E. Hutton & Co.; John J. O'Kane, Jr., John J. O'Kane, Jr. & Co.; Harold B. Smith.

National Committeemen Alternates: William H. Gregory, III, Gregory & Sons; Joseph J. Lann, Joseph J. Lann Securities, Inc.; Walter F. Saunders, The Dominion Securities Corporation; Stanley M. Waldron, Merrill Lynch, Pierce, Fenner & Beane; Graham Walker, McManus & Walker.

Nominating Committee (Four members to be elected): Leslie Barbier, G. A. Saxton & Co., Inc.; John Butler, The First Boston Corporation; Vincent M. Gowen, Goldman, Sachs & Co.; Charles M. Kaiser, Grady, Berwald & Co., Inc.; James Musson, Byrne & Phelps, Inc.; G. Harold Noke, Francis I. duPont & Co.; Herbert L. Seijas, Merrill Lynch, Pierce, Fenner & Beane; Abraham Strauss, Strauss, Ginberg & Co., Inc.; Bernard Weissman, A. Trent & Co.; Homer Wirth, Mabon & Co.

Members of the Nominating Committee presenting the slate were: Richard F. Abbe, Shearson, Hammill & Co.; Thomas Greenberg, C. E. Unterberg, Towbin Co.; Joseph D. Krasowich, Gregory & Sons; Stanley L. Roggenburg, Roggenburg & Co.; Alfred F. Tisch, Fitzgerald & Co., Inc., Chairman.

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Providing Necessary Funds For State-Local Projects

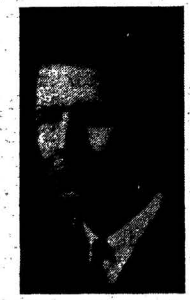
By WALTER W. CRAIGIE*
Senior Partner, F. W. Craigie & Co., Richmond, Va.

Virginia dealer presents non-technical primer dealing with the many beneficial services of municipal investment bankers in order to provide educators with a better background of state-municipal borrowing-financing activities. Mr. Craigie starts with the importance of money, explains how governmental units from school districts to sewerage authorities make use of the bond market, traces the factors determining the interest rate pattern, indicates who the bond purchasers are, and describes full faith and credit general obligations and other kinds of bonds.

Chapter I

We Talk of Money

Money does not grow on trees. This trite, overworked expression, popular with frustrated parents and irate husbands, contains a simple economic fact.



Walter W. Craigie

Money in its original state represents the fruit of someone's productive labor. True wealth, as distinguished from money as a mere medium of exchange, does not come into being in any other manner. Capital is the result of savings. In other words, if all of the fruits of productive labor were immediately expended, there would be no capital to form a reservoir for continued productive investment.

Money can be created through other means. One form is that of fiat money constituted by executive decree. It also can be generated through lose fiscal policy or as a result of deliberate governmental action.

The result of all of these last three courses is inflation accompanied by a debasement of the monetary unit of exchange. Inflation, always slightly pleasant in its early stages, is the cruelest thing that can happen to the thrifty, the aged, the pensioner and the holder of an insurance policy. Here in the United States, while we have not experienced in recent years the uncontrolled inflations which were seen in Germany and elsewhere, we have witnessed the sad plight of people who live on fixed incomes having one-half of the purchasing power of that income completely wiped out.

It must be remembered that the state or central government creates no real wealth and has no money other than that which is extracted from the people in the form of taxation. These funds are returned to the people in the form of services provided by the government—or as grants, less the cost of administration. Thus, there is no such thing as "free" Federal or state grants for government cannot give back to the people anything which in the first instance was not taken from the people.

It long has been recognized that whosoever holds the purse strings, in time will dominate the recipient of the contents of the purse.

The real answer to the needs of any community is local effort. Such action brings projects close to the people, it creates the feeling of responsibility, it develops human resources and insures a truly free America.

*An address by Mr. Craigie before the Sixth Industrial Council Session, sponsored by Rensselaer Polytechnic Institute, Troy, N. Y.

Let us summarize Chapter I: True wealth is the fruit of productive labor — capital the result of savings. There is no such thing as a "free" grant. Local effort is essential to a free America.

Chapter II

A Community Is Formed

When society was in its primitive state, life was rugged but simple. The immediate needs of the family unit were food and shelter. As population increased, the family unit merged with other family units to form the tribal unit. This automatically created a need for some form of law and order, for methods to settle disputes between the various families and for protection against the aggressions of other tribes.

Next came the village. Even here, each family could provide its own water supply from springs and wells and furnish sanitation facilities adequate for its own uses. The street problem was relatively simple, a single arterial road through the main section with short side streets adjacent thereto.

Then came the town, and the problems attendant to greatly increased populations became real. Water supplies were found inadequate to meet the demands of the people, proper sanitation became a must, courthouses and jails had to be built, streets had to be paved, school buildings had to be constructed and a system of education provided. As towns grew into cities, all of the needs were intensified by the density of population and the especial difficulties of urban living.

Thus, from simple beginnings, we arrived at a state of complex problems. To those of water and sewerage, streets and roads, schools, courthouse and jails were added another public function, namely, welfare and recreation. All of these services cost money.

Let us summarize Chapter II: Society in its primitive state had simple needs. As the population grew, these needs were too great for individual families to supply. Water and sewerage, streets and roads, schools and welfare became proper governmental functions and services. These services cost money.

Chapter III

How Services Are Provided

Services provided by governmental units can be placed in the general category of operations.

Taxes are levied for the operation and maintenance of schools, repairing streets, courthouses and jails, programs of welfare, recreation and other similar services. For the operation of schools and for public welfare, these taxes are supplemented by some form of state aid. Federal grants are made available for public welfare and for schools in areas of large Federal Government establishments, such as those near Norfolk, Va. Federal appropriations for highways also are available through the Federal tax on gasoline. Communities which own their own water, gas or electric plants charge fees in proportion to the amount of the commodity used.

Capital improvements, as distinguished from operations, almost invariably are made possible through the issuance of bonds by the municipality involved. To erect a school building with a life of 20 to 25 years out of current taxes would impose so heavy a burden upon the taxpayer as not to be economically feasible. Therefore, we find bond issues for school buildings, for water systems, sewerage systems, courthouses and jails, streets, roads and for other improvements of a permanent nature.

A bond issue is nothing more than a loan negotiated by the issuing municipality on behalf of its citizens with the length of the loan determined by the paying ability of the borrower as well as the wishes of the bond purchaser, or lender.

Some may ask: "Why do not municipalities borrow the necessary funds direct from their local banks instead of issuing bonds?" The answer is simple: Commercial banks prefer to confine their loans to short periods of time in order to keep liquid funds to meet the demands of depositors. Local banks, however, frequently lend their community on tax anticipation notes and by a portion of the bonds when issued.

Sound finance calls for the full repayment of the loan (bond issue) well within the life of the improvement financed by it. Thus it would be the height of fiscal folly to issue 40-year bonds to pay for a school building or system of roads which would be either obsolete or completely worn out in 20 years. State constitutions and municipal statutes under which bonds are issued usually prohibit such issues. Another practical limitation is the refusal of intelligent purchasers to buy such obligations.

In most instances, bonds issued for the above purposes are secured by the full faith and credit of the municipality and are paid off through the levy of taxes, which are not limited by law. Such bonds are termed unlimited tax general obligations, which means that they not only are backed by the full faith and credit of issuing body, but that taxes may be levied upon all of the taxable property located within the corporate limits without limitation as to rate or amount.

Some bonds also are payable from limited taxes. This means that there are legal restrictions upon the amount of tax which may be levied for the payment of principal and interest. Limited tax general obligations invariably have to sell at a higher rate of interest to offset this limitation.

Let us summarize Chapter III: Operations are paid for through taxes coupled with state and Federal aid, in certain instances, and revenues from specific projects. Capital improvements of a permanent nature are paid for by bond issues which never should mature later than the life of the improvement. General obligation bond issues are paid off through taxes levied upon all of the taxable property located within the corporate boundaries of the issuing municipality.

Chapter IV

How Bonds Are Issued and Sold

Once the need for a capital improvement is sufficiently realized, the town or city council or local school board customarily holds a public hearing and then passes a resolution authorizing the creation of the necessary indebtedness

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What's Ahead for Business In the Next Ten Years?

By ARTHUR R. UPGREN*
Dean, Amos Tuck School of Business Administration, Dartmouth College

Dartmouth Business Dean, in looking ahead ten years, doubts economic upsets will stem from inventory, money supply and capital formation problems, to prevent good prospects for 1967. Despite bank financing-share in meeting this year's 30% capital outlay increase over 1955, Dean Upgren notes we are experiencing "a *very* mild inflation." Believes a stringent monetary policy will not cause decline, and that monetary heads can very vigorously deal with any recessionary tendency. Writer is encouraged that savings will be larger than plant expenditures, assuring adequate capital to overcome expected labor force shortage; and reports slack in bank reserves margin, and favorable bank liquidity ratio offers sufficient monetary supply outlook without "tinkering with gold."

Our prospects for 1957 are very good, because the standard dynamic influence of all progressive economies is now operating on a scale and with an intensity never before known even in the United States.

Arthur R. Upgren

What has happened in 1956 is that business has been trying, with very substantial success, to lift total expenditures for new plants, equipment and facilities 30% *over last year's record-breaking $29 billion*. In fact, September's *"Economic Indicators,"* published by the Joint Economic Committee, shows that expenditures for such new facilities are expected to be at the annual rate of $38 billion in the fourth quarter of this year.

Bank Financed Capital Boom

This $8- or $9 billion increase has put a great strain on the economy. Last year's expenditures were mostly financed by long-term, or "saved" funds. The extension of consumer credit in 1955 did call a good deal of new bank credit into use.

This year so much of the increase in capital investment has been financed by commercial bank credit that our monetary policy has had to be changed.

Here's why it had to be: When long-term facilities are financed through bank credit, incomes and the money supply are enlarged *at once*, but there's no corresponding increase in the supply of available goods until a long time afterward. That is the situation we have now, and, quite naturally, it has tended to produce inflation—in this case let me add only a very modest inflation. On the one hand, farm prices are well below the peak they reached in early 1951. Wholesale prices are still below 1951. But wholesale prices have risen 4½% in the last year. The cost of living, which had risen only 3% in all the five years preceding, has risen 2% in the last six months—and every day brings reports of new price increases that have not yet had time to find their way into the cost-of-living index.

This inflation—and let me stress again, it's a *very* mild inflation—is the cause of our current stringent monetary policy, with tightened credit. This policy, I might add, will undoubtedly remain in effect as long as any possibility of real inflation remains.

Well: Might this policy of stringency produce a severe decline?

Let's review what happened along exactly the same lines as recently as in 1953.

Doubts Restraint Will Cause Decline

In May, 1953, the commercial banks that belonged to the Federal Reserve System owed the Federal Reserve Bank as much as $1.4 billion. This was the extent to which they'd borrowed the reserves that were basic to the expansion of credit after the Korean War.

By June, 1953, after the Korean truce was signed, it had become obvious that some economic downturn was inevitable. Defense outlays were soon cut by $10 billion. Within six weeks the Federal Reserve Banks had reversed their policies: By reducing reserve requirements and by buying Government securities, they made available to the commercial banks no less than $2½ billion of additional central-bank, or reserve, credit. With this additional credit, the banks immediately paid off almost all of their $1.4 billion debt to the Federal Reserve Bank; and they were eager to finance economic expansion with the remaining $1.1 billion of new, excess reserves. (Incidentally, bank borrowing from the Federal Reserve Banks has ranged in 1956 only between $600 million and $1 billion.

In the tight-money situation that spring of 1953, Government bonds of the longest maturity had dropped, briefly, minutely below 90. Within a year they had risen above 100 again. In slightly more than a year the Gross National Product expanded by more than $40 billion.

Clearly, then, once the threat of inflation has been eliminated, our monetary authorities can deal very vigorously with any ensuing tendency toward economic recession and decline, which may have been brought about by the tighter monetary policy.

Capital Outlay to Fill Labor Shortage

That question out of the way, I'd like to take up a most encouraging recent trend; the trend toward formulation by business of longer-term capital budgets for future plant expansion. Dr. Dexter M. Keezer of McGraw-Hill will tell you that nine years ago, when he began to draw up the now-very-well-known McGraw-Hill estimates of future business plant expenditures, only a few companies per hundred reported budgets for more than one year ahead. Today, he reports it is common practice to plan budgets for several years ahead.

Why is this important?

In the next ten years our total population will grow by 28 million persons—an increase of about 18%. But our working force will grow only about 8%, and the labor group between ages 25 and 45 will not grow at all. As a result, labor-hours will have increased only about 6% by 1965, and by minimum estimates we shall want to have expanded our total national product by from 36 to 50% by that time.

The only way we can turn out such a vastly expanded product with such a slight increase in labor-hours is through new and better forms of capital. Wages, of course, will have to go up; increased wages will be labor's premium for doing its share of the job. Increased and improved use of capital—in like measure which is, after all, the goal of longer-term capital budgeting—is precisely the solvent for the increased wages without inflation.

All this is fine. We have, immediately ahead, the prospect of a maximum increased formation of capital both to sustain today's high business activity and to provide in advance foundation for future productivity. The next question is: Where do we find the money to finance the expansion we have been talking about with minimum reliance on bank credit and, therefore, with minimum pressure toward inflation?

Encouraging Savings Surplus Prospect

We have sources of savings in prospect that are bright in their promise. Personal savings the second quarter of this year were $4.5 billion above the annual rate a year ago. Business depreciation reserves increased by $2½ billion. This was the result of continuing, accelerated amortization; wider use of the "sum-of-the digits" method of depreciating new assets; and the very growth of the total plant, which in itself

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*From a talk by Dean Upgren before the Associated Industries of Massachusetts, Boston, Oct. 25, 1956.

Continued Business Rise Forecast for Coming Year

By DR. GEORGE CLINE SMITH
Vice-President and Economist, F. W. Dodge Corporation

Rise in business in 1957, with inflation accounting for much of the rise, is the collective opinion of 221 economists polled by F. W. Dodge Corp. in its annual economic outlook survey. Dr. Smith's survey-study reveals feeling that second half of 1957 might see a slight decline or a possible leveling off in business activity.

According to the annual survey of leading economists by F. W. Dodge Corporation, 1957 will be the best business year in history, at least in dollar terms. However, inflation will account for much of the rise in dollar indicators of business activity, according to the collective opinion of the 221 economists polled.

Dr. George C. Smith

Judging from the numerical responses to nine specific questions on economic indicators, as well as from comments offered by most of the economists, three conclusions stand out:

(1) Business activity will set new records in 1957 in dollar terms, but this will be primarily the result of shrinkage in the purchasing power of the dollar, rather than a real increase in output.

(2) The consumer and wholesale price indexes will continue to rise, moderately but definitely.

(3) The rise in prices will be primarily the result of wage increases.

Only a handful of contributors to the survey indicated that they felt the election results might drastically alter the immediate outlook. There was far less discussion of the election in this year's survey than there was in 1954 when only a Congressional election was in the offing.

Slight 1957-Second-Half Decline

There was a widespread feeling among many of the economists who had comments to make that the second half of 1957 might see at least a slight decline in business activity, and this also showed up in some of the numerical forecasts of the various indicators. Others felt that there would be a leveling off in the second half. One economist summed up the feeling of many this way: "1957 a banner year. Plateau late in year, but no marked downturn. Election results will make little or no difference."

Whether we should get excited over the common feeling that the second half of 1957 will not continue the upward trend, and might even show a decrease, is a question. Experience with these and other surveys made at this time of year indicates that it is customary for many forecasters to take a somewhat dim view of the second half of the up-coming year, especially if they think the first half is going to be good. In short, there may well be a "second half downward bias" in annual forecasts.

Tight Money Views

Several of the economists, representing a wide range of interests, felt that tight money policies of the Government had gone far enough (some felt they had gone too far) and that some easing was in prospect. The range of sentiment is expressed in these two comments: "I believe there is some danger that the Federal Reserve may apply the brakes too hard." "I expect a rise in employment in the early summer which will lead to a *de facto* acceptance of this round of inflation and easing of credit for further growth of the economy."

The economists participating in the current survey include 27 in financial organizations and insurance companies, 98 from other business firms, 56 from colleges and universities, and 16 from Government; the remaining 24 are consultants or members of trade and research organizations.

Details of Replies

The economists surveyed were asked to present specific forecasts for the remainder of 1956 and for 1957 for several major economic indicators. A total of 221 economists, the largest number in the history of this annual survey, replied; but a few omitted answers to parts of some questions. There were more than 210 replies to each part of every question except those on construction and housing, and there were more than 200 replies on all parts of these two questions.

(1) **Gross National Product:** The economists in general expect a further steady increase in total dollar output of goods and services, with the most rapid rise in the first half of 1957 and relatively smaller increases in the second half of the year. The median forecast for the end of 1957 is for a seasonally adjusted annual rate of G.N.P. at $420 billion, about 3% above the rate reported for the second quarter of 1956. The economists showed a high degree of unanimity in forecasting an increase in G.N.P. More than 85% expected the rate at the end of 1957 to be higher than in mid-1956; and only a very few saw any drop in prospect.

(2) **Cost of Living:** The economists are even more unanimous in expecting a rise in the BLS consumer price index; 90% say that the index at the end of 1957 will be above the mid-1956 level. The index stood at 116.2 in June of this year; the median forecast of the economists is 117.5 at the end of 1956, 118 in mid-1957 and 119 at the end of 1957. The great majority of the economists (more than three quarters) thought the index would be 118 or above by the end of next year; a third of the total set the figure at 120 or above. There is a much stronger feeling of rising prices in this year's survey than there was last year.

(3) **Wholesale Prices:** Much the same comments apply to the forecast of wholesale prices. In June the BLS wholesale price index stood at 114. The economists in general expect the index to rise through the first half of next year, and then to level off. The median forecast for the index is 116 by the end of 1956, and 117 by the middle of 1957, with that figure remaining through the year. Again, there is a strong underlying feeling of inflation, more pronounced than in last year's survey. 90% of the economists think the index will rise, and fully a third expect that

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Fresh Look at Construction: The Building Prospect Ahead

By WALTER E. HOADLEY, JR.*
Treasurer, Armstrong Cork Company, Lancaster, Pa.

In assaying the crosscurrents in homebuilding, Mr. Hoadley ventures the following "fresh look" at building prospects: (1) a new "normal" homebuilding level of one million new starts per year seems likely to persist over the coming year and decade — a relatively high level compared to top postwar years' experience; (2) there is a large repair-modernization market which should continue to grow; (3) 1957 non-residential construction will be slightly ahead of 1956 with a crest appearing within 12 to 18 months for commercial buildings; and (4) changes are inescapable and can occur more rapidly in next few years than ever before due to new "era" of selling and merchandising now under way. Advises investors that "most promising prospects must be found on a selective basis."

This meeting comes at a time when there are at least as many doubts about the future of the building industry as at any time since the end of World War II. New housing starts have dropped approximately one-fourth from the recent postwar peak; failures among building contractors and materials dealers have reached new highs; and construction and mortgage funds are very difficult to obtain in all sections of the nation.

W. E. Hoadley, Jr.

Certainly it is appropriate for security analysts and others to take a fresh look at building prospects. However, I am sure that this is *not* the time to reach hasty conclusions.

Building has entered a transition stage from postwar boom and shortages to a period marked by far-reaching changes and new growth opportunities. It will pay us well—whether we are interested in profitable operations or investments—to consider current and impending building developments very carefully before we make decisions.

To provide some perspective on building activity and prospects, let us consider the four questions now most frequently raised by thoughtful individuals about this industry: (1) Is the recent decline in new homebuilding a sign of temporary weakness or a signal that the housing boom is over? (2) How much significance should be attached to repair and modernization work in appraising homebuilding trends and prospects? (3) How much longer will the boom in commercial, educational, and other non-residential building last? and (4) What important changes in building can now be foreseen which investors and others should watch?

After each of these questions has been reviewed, we should have a better basis for judging building prospects for the year ahead and perhaps longer.

Is the Recent Decline in New Homebuilding a Sign of Temporary Weakness or a Signal that the Housing Boom Is Over?

At the outset it was stated that the building industry has entered a transition stage from postwar boom and shortages to a period of change and new growth opportunities. Even a few moments reflection will provide ample evidence that this transition is now underway.

For more than a decade, and until recently, building was marked by almost uninterrupted "*sellers'* market" conditions. Shortages of living space, business space, materials, and labor forced prospective buyers pretty much to take what they could get and to pay whatever price tags were set. While local building shortages persist, *buyers'* market conditions are appearing on all sides. Typically, homes are now being sold after completion rather than from sketches, models or blueprints. What the buyer wants, rather than what the builder finds most expedient to build, is now shaping new home construction.

But this return of buyers' market conditions should not be alarming. The same situation holds in most consumer markets today. Nor does it mean a drying up of interest in new homes. If you have visited any new tract of well designed homes in recent weeks, you must have been impressed by the large numbers of families still inspecting the new dwellings. This is true in virtually all sections of the country. In fact, many of the same strong forces which have caused the recordbreaking boom in building in recent years are still very much in evidence:

First, the need for additional space for living, business, educational, and related purposes continues to be very great. The trend toward larger families, greater population mobility, growing suburbs, expanding businesses, and new residential and industrial locations is a very familiar story to everyone.

Second, noticeably higher living standards continue to take their form in increased demands not merely for decent housing but for modern housing. The more than 11 million new homes built since the end of World War II have definitely accelerated the impact of style obsolescence upon housing. Recent studies show that dissatisfaction with existing housing is still very high among millions of families. This is not only because of space limitations, but frequently because of obsolete design, out-moded plumbing and heating equipment, ancient kitchens, and similar items—plus locations which have lost their desirability. Interestingly enough, these problems seem to become most acute for families when their first child reaches school age and again when the children become teenagers. However conscious mother and father may be of the need for housing improvement, their children are almost certain to exert increasing pressure that "something be done about it." Such pressures are not new and should remain strong more or less indefinitely.

Third, the number of homes being removed from the housing market is rising. Obsolescence, enforcement of housing codes, and demolitions from slum clearance and highway programs have combined to remove variously estimated (100,000 to 250,000) housing units per year. This number of withdrawals from the nation's housing supply should increase in coming months and years.

Fourth, the rise in income generally and the accompanying movement of hundreds of thousands of families annually into middle and higher income brackets provides a continuing strong base for actual purchase of homes. It is generally agreed that an income of at least $3,500 per year is necessary for the purchase of a minimum type dwelling under current cost-price-financing conditions. The typical 1956 home, selling for slightly under $15,000, regularly requires an annual income of $6,000-$7,000. During the present year, roughly 1,500,000 additional families will move into the minimum home buying income brackets, and another 1,500,000 families will advance financially to the point where they can afford a home in the average current price bracket. These families with higher incomes provide an important potential "plus" to the home buying market aside from mere population and family trends.

Fifth, the level of new homebuilding has increased political significance because better homes are of rising interest to voters and changes in building activity directly affect the health of the national economy. Liberalized government policies can be expected to bolster homebuilding somewhat during periods of reduced demand. The politically acceptable minimum level of new homebuilding obviously cannot be precisely stated, but may be close to one million units per year.

Yes, the underlying forces of home demand are still strong, but quite obviously some retarding influences on new housing have been apparent in recent months. Let's consider some of them:

Reasons for Slowed-Down Housing

First, the urgency to buy has been sharply reduced by the increased availability of housing units. Leaving completely aside the *quality* of homes, the national vacancy rate among single family homes (available for rent or sale for year-round use) has climbed from 1.6% in 1950 to a level somewhere in the range of 3% at present. This is still well below the 5% rate which was considered "normal" in the prewar decade. Nevertheless, there is now definitely a better balance between housing supply and demand. Wider range of selection in new homes itself tends to slow up actual buying, if only because prospective purchasers take much more time to shop around before making a final decision. The slightest evidence of price concessions by builders and other also increases the amount of shopping.

Second, many older homes are becoming more difficult to sell. This development directly affects new homebuilding because many families wanting a new house are finding that they have less equity in their older house than expected and hence less cash to finance a new purchase.

Third, construction and mortgage credit is widely recognized to be tighter than any any time since the end of World War II. Here is a powerful depressant contributing to the current slackening in new homebuilding. There may be disagreement regarding the precise degree to which general monetary restrictions have hit new homebuilding, but no one can question that the impact of such policies has been severe, perhaps more so than in the case of any other major industry.

Tight money in the housing field involves primarily non-competitive interest rates, but also availability of funds. The last vestiges of war-time price control set interest ceilings on government guaranteed mortgages and particularly those administered by the Veterans' Administration. The result is that in the face of generally advancing interest rates many mortgages have become unattractive to investors. In addition, investment managers are finding such tremendous demands for short-term funds from businesses, government, and farmers that mortgages, even at higher rates, seem less attractive, especially considering their longer maturity and complex administrative procedures and related costs.

Fourth, closely allied to financing difficulties, many building costs, including land, have edged upward to the point where numerous prospective buyers have been "priced" out of the market. The average new house selling price has increased about $2,500 during the past two years, reflecting somewhat larger units but also sharply higher costs.

Fifth, although net new family formations are no longer considered a very reliable barometer of short-run homebuilding demand, it is significant to note that the postwar peak in marriages was reached several years ago. Current prospects are for little or no upturn in family formations for three to five years. In short, the nation is experiencing a plateau in family formations of about 700,000 to 800,000 annually, reducing the pressure for additional housing compared with the situation a few years ago.

New Normal Level

With this review of the many crosscurrents in homebuilding, we can now return to the first question raised earlier—is the recent decline in new homebuilding a sign of temporary weakness or a signal that the housing boom is

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*An address by Mr. Hoadley before the New York Society of Security Analysts, New York City, Nov. 8, 1956.

The Value of Professional Investment Management

By JOHN P. SULLIVAN*
Vice-President, Marine Midland Trust Company, New York City

Marine Midland Trust official stresses investment peace of mind, selection, and greater objectivity and knowledge possessed by professional investment managers, as prime arguments in selling investment company shares to individual self investors. Mr. Sullivan describes fundamental mistakes committed by the average investor, cites typical illustration, comments on recent and past economic behavior, and states "investment guidance based on effective fundamental research has proven more valuable in protecting the capital of investors than has any other device for selection."

Since I represent an organization, one of whose primary functions is to handle investment trust funds and act as an investment counselor to individuals, corporations, foundations, charities, etc., it may occur to many that I am offering selling points to competitors. May I clarify this at the outset by stating that we believe investment company organizations are serving a very essential and sound economic function for those people who can not, in most instances, afford to utilize the personal services of an investment counsel organization.

John P. Sullivan

We believe it is the responsibility of every one engaged in the investment profession to point out to the average investor that the primary function of capital, whether small or large, is to achieve peace of mind for the individual. We know from experience that this peace of mind cannot be achieved by most people by self investing. Investment peace of mind can be achieved to a great extent through the elimination of the worry of "selection." That is, the selection of the right investment vehicles to achieve the proper investment objective.

Selection Key to Success

We believe "selection" is the key to investment success.

The value of selection through fundamental and effective investment research has been demonstrated during the past decade; that is becoming evident to more and more investors. Nevertheless, there still is a tremendous educational job to be done to demonstrate this truth.

We shall try to illustrate the advantages of professional investment guidance, over the disadvantage encountered by an individual in attempting to invest his capital through his own selections.

Investor Cannot Select

Probably the first and the most fundamental mistake an individual investor makes is his inability to accurately diagnose his own investment requirements. The reason for this is: When money is involved emotions usually are involved: When emotions are involved the individual can rarely distinguish between needs and desires and in most instances desire dominates rather than investment needs. Consequently, it is difficult if not impossible to achieve investment success or peace of mind if one is pursuing the wrong investment objective for his needs. If an individual does correctly diagnose his investment requirements, then our experience suggests he rarely selects the proper type of investment vehicles to achieve his objectives because of an inability to accurately differentiate between the various investment characteristics inherent in each security. Therefore, it is difficult to determine which mistakes are more costly to the investor, namely, selecting the wrong investment objective or the wrong securities.

*An address by Mr. Sullivan before the Vance Sanders Seminar, New York City, Nov. 13, 1956.

Business Correlation With Stock Market

The next most fundamental mistake made by self investors is to assume that the trend of business will correlate with the trend of the stock market. Professional investment managers know that historical studies of the trend of business as well as the stock market will show that for extended periods there is no precise correlation between the two. We know how very dangerous it is to generalize when discussing the trend of business. For instance, we know how important it is to recognize that since 1946 there has been no uniform trend to the business picture. While the indices that measure the overall business activity of our economy have registered new highs there were many times during these periods when individual industries were not participating in this high level of business and as a matter of fact, many were experiencing depression type characteristics. We are also aware that even when individual industries were experiencing a high level of operation, many companies within those industries were not experiencing the same results. Therefore, studies of our recent past economic history demonstrate the value of the right selection when choosing the industries for investment participation. But more important is the right selection of those companies within the industries which will perform equally well or better than the industry or other companies within the industry with respect to sales, earnings, etc. Most important is the selection of the individual issues which will act as well or better pricewise than the other equities in the same group.

Steel Industry as an Example

We can demonstrate by case histories that a knowledge of the trend of business and the stock market alone is not a guarantee of investment success. We could even show case histories where the upward trend of an industry's activities and earnings was not necessarily followed by an upward price movement of the industry's securities. This was particularly true of an industry such as the steel industry, when in 1953 the industry enjoyed a very high level of operations for many months and the steel companies were experiencing a very high level of earnings. Yet while these good earnings were being reported the steel stocks as a group acted relatively poor. Yet, when the steel industry's operations declined the equities of the steel industry were in investment demand, and became market leaders. This is only one example to show the contrary price action of the stocks to the earnings performance of the industry. If we continue to use this as an illustration to prove the value of selection, we would find that when the steel stocks recovered from their low of 1953 to their highs of 1954, the stock that had the greatest rise among a selected group of better known steel equities appreciated 117% whereas the stock that had the least rise was up 48%. In other words, a difference of nearly 70%. There was good reason for this variation but the average uninformed investor would not have detected it.

Market Trend

Another fundamental mistake made by the average investor is to assume that a correct prediction of the market trend will result in a favorable investment experience. Yet, we know there has been no uniform pattern to the stock market. For instance, many companies' securities have not participated in the recent bull market while others have outperformed the market. This is another indication that demonstrates that selection is the key to investment success.

There are always cross currents at work in today's dynamic economy which affect the course of business and equity values. To keep abreast of these changing conditions requires continuous supervision of the individual investments held as well as seeking new investment opportunities.

This can only be achieved through an effective investment research organization devoting all its efforts in these directions on a full time basis.

Investment peace of mind cannot be achieved by the individual self investor on a part time hit or miss basis nor by treating the investment of hard earned money as one would the pursuit of a hobby, a part-time affair at best.

A Perfect Illustration

We need not go back further than the past year to find a perfect illustration of two leading companies in the same industry where one company was experiencing a new peak earnings while the other was experiencing rapidly declining earnings. Since both these companies were leaders in their industry and both could be characterized as high grade investments, it would have been difficult for the average investor to understand the forces at work which brought about the difference in earnings results. Unfortunately, the average investor only became aware that the one company was doing poorly earningswise after it had already been reflected in the price of the stock.

Since it is obvious there is no pattern covering business activity as a whole and no single stock market pattern covering market action of all issues, it becomes the function of the investment analyst to study trends and developments within the individual industries and within individual companies, to study stock market groups individually, and each stock independently. It will be the wisdom of selection of industries and the evaluation of individual issues that should determine investment results not the general trend of business activity or stock market action as a whole. It has been demonstrated in the recent past that despite the advanced level of business activity and prices on the stock market, there have been ample opportunities to enhance capital through right selections as well as lose capital through wrong selections.

Past Recent Behavior

We need only look back to the last few weeks to realize the trend of business was up while the trend of the market was down. Past studies have proved this point conclusively. We know there are many other factors besides the trend of business which affect security values. This selection may or may not entirely depend upon percentage increase in earnings or dividends. Other factors such as price times earnings appraisal, yields, etc. may influence selection.

The past behavior of the business picture particularly the rolling adjustment of industries in which some industries emerge from a period of decline in operational activity while others are entering a decline which may be expected to continue.

If this past pattern of both the business and stock market is projected into the future, selection through investment research should continue to be the most rewarding. Having the benefits of professional selection through an effective investment research organization, investors should feel confident that those handling their investment will remain alert to changing conditions, and in a position to take effective investment action for them.

What Investors Overlook

Many investors tend to overlook the fact that, during a bull market, selection is most important. This is so because of the tendency of investors to move out of quality stocks, which have had spectacular rises, into depressed secondary issues of questionable quality, in order to keep participating in a rising market.

Though this temptation will be great on the part of the public, it will be the investment analyst's responsibility to retain the basic fundamental investment research approach, and not relinquish it for temporary opportunistic advantages. This should not be taken to mean that one should not be opportunistic, but indicates that an aggressive approach to investment problems requires a happy tempering of long-term concepts with near-term opportunities.

Research and Patience

It must be recognized that the handling or management of capital is far more likely to be successful if accompanied by the exercise of both research and patience. When basic changes are taking place within an industry or a company which will alter the investment characteristics of that industry or company, it may be years before this is fully recognized by the market.

There are industries today that have gained investment stature which not many years ago were characterized as purely speculative, and some issues that are today considered blue chips have emerged from within these groups. Contrary-wise, there are groups that were considered prime-quality investments that have descended into questionable investment stature by virtue of more recent performance.

One may be certain that some of today's popular blue chips will eventually lose investment stature, fall by the wayside, and produce losses for investors who believe that a security may be put away and forgotten. Also, the tendency to regard and retain a high-quality security as one would a family heirloom becomes equally dangerous in our ever changing dynamic economy.

It seems likely that the economic, political, scientific and social changes that have been occurring in the past 10 years will continue to occur over the next decade or two, and these could be so dynamic as to have profound effects on many of our leading industrial companies, which places even greater emphasis on selection through research.

Stresses Selection

The key to successful investment experience is selection, based on sound research. Research is only effective to the extent that it results in a fair percentage participation in those industries and companies that perform most favorably. No attempt to chart the precise future level of general business activity or to call the turns in the stock market can be a satisfactory substitute. There will always remain a margin of error in investment analysis, and even the most competent group of professional investment advisors will never be able wholly to avoid mistakes.

Investment guidance based on effective fundamental research has proven more valuable in protecting the capital of investors than has any other device for selection. Those investors, who, managing their own funds, believe all that is necessary for success is a knowledge of the trend of business and/or the stock market are likely to have a far less fortunate experience.

Because the better managed investment companies have outstanding research organizations with demonstrated ability and soundness of approach, their shares have been excellent media for those investors who cannot afford the personal services of an investment counsel organization. Large banks with adequate research facilities have no reason to use investment company shares in trust accounts. Small banks which do not have an adequate research organization could utilize to better advantage the medium of investment company shares in small funds in preference to selection without proper and continuous supervision.

In New York State there has been established a Fiduciary Fund, the purpose being to permit smaller banks without research organizations to invest their trust funds through the purchase of units in this diversified fund which is supervised by a large investment institution. Participation in this fund is limited to only bona fide funds. This fund was established as the result of the recognition given today to the value of continuous investment supervision.

Summary

In summary, I believe the various pitfalls enumerated in this discussion and encountered by the individual of smaller means when acting as his own investment counsel are avoidable. One obvious way is through the medium of investment companies by pooling small amounts of capital into larger funds in order to achieve proper representation and diversification. Organizations such as these, protect the individual through experienced judgment, and offers in addition the benefits of supervision, custodianship and careful research and comprehensive study. The investment company, a relatively new investment medium on our country, will continue to grow because of the obviously tremendous and real service that it renders through its important functions.

Phila. Inv. Women Meet

PHILADELPHIA, Pa. — Miss Margaret McKnight, Chairman of the Entertainment Committee of the Investment Women's Club of Philadelphia, announces the second dinner meeting of the season to be held at the Barclay Hotel on Monday evening, Nov. 19. Mr. Maurice J. Kelly of the Junior Achievement, Inc. will speak on "Future Unlimited."

Assuring Savings Bank Liquidity

By AUGUST IHLEFELD*
President, Savings Banks Trust Company, New York City

Mr. Ihlefeld presents program aimed at savings bank liquidity which includes: (1) 5-10% of deposits primary liquidity reserve to offset possible deposit losses; (2) limiting mortgage commitments to amortization receipts; (3) 10-15% of deposits secondary reserves to absorb below-cost sales' losses; and (4) limiting borrowing to emergency liquidity needs only. Author defines various kinds and sources of liquidity, and advises against enforcing withdrawal notification clause. In counseling against forward commitment contracts, points out present ample supply of government bonds and mortgage offers excellent prospect of investments.

Far-reaching developments during recent years have profoundly affected savings bank liquidity. One development has been the making of forward commitments by savings banks for mortgage loans. This has introduced a new liquidity requirement. A second development has been the greater market price vulnerability of savings banks' bond portfolios. This has lessened the usefulness of U. S. Government bonds as a source of liquidity.

August Ihlefeld

Because the term has a number of meanings, we might begin with a definition of liquidity.

Liquidity for a savings bank means the possession of cash, or assets that can readily be turned into cash without material loss.

The liquidity position of a savings bank is continuously modified by its cash flow. An excess of cash receipts over disbursements in a given period, such as a quarter or a year, lessens the need for liquidity; and at the same time provides an opportunity to build up cash assets. Conversely, an excess of cash payments over receipts both increases the need for liquidity and shrinks the volume of cash assets held.

Liquidity thus has two dimensions. There is first the immediate liquidity shown on the bank's condition statement. Secondly, there is the addition to or subtraction from liquidity that will occur over a period of time caused by the bank's cash flow.

While a savings bank's cash flow will eventually determine both the amount of liquidity needed and the amount of cash that will be available to provide it, forecasts of cash receipts and disbursements, even for short periods, are subject to a wide margin of error. Hence, *the cash and equivalent shown on a savings bank's condition statement is the only certain source of liquidity upon which the management can count at a given time.*

A savings bank wants liquidity today to be in position to make two major types of disbursements. These are:

(1) Net withdrawals of deposits.

(2) Taking up mortgage commitments that fall due.

These two liquidity objectives differ in character and call for separate analysis.

Liquidity for Net Deposit Withdrawals

The basic and ever present liquidity requirement of a savings bank is to meet net deposit withdrawals on demand.

True, savings banks, like commercial banks, can require savings depositors to file notice a specified number of days in advance of withdrawals. But our studies indicate that experience with this device has been so unfavorable as to cast serious doubt upon its value. Moreover, Mr. Allan Sproul, when President of the Federal Reserve Bank of New York, stated ". . . invoking notice of withdrawal might be just the wrong way to deal with a particular situation."

At all events, savings banks want to be in position at all times to pay out deposits promptly on request of the depositors.

This being the case it must be recognized that the decision to withdraw deposits from a savings bank is entirely within the discretion of depositors, and not of the bank's management. At best, a savings bank can seek to minimize the possibility of a net loss of deposits by improving its service, opening a branch or paying a more attractive rate of dividend. But economic developments in the country as a whole or in particular communities, or intensified competition from other savings media, could result in a net loss of deposits at any time.

It is true that savings banks in New York State failed to experience an increase in deposits in only three years during the present century. But we cannot ignore an adverse contingency because it has occurred rarely or not at all to date. A great many of us never had an auto accident or a fire, yet we would not think of being without liability or fire insurance.

While aggregate deposits of mutual savings banks have shown an almost uninterrupted upward trend, most banks have encountered losses of deposits for shorter or longer periods, due to local conditions. The varying size and deposit experience of individual savings banks makes it unrealistic to attempt to formulate a rigid formula for liquidity to meet possible future net losses of deposits.

However, ordinary prudence calls for a minimum liquidity reserve for this purpose of 5% of deposits. This reserve would be kept mainly in the form of cash and due from banks, but could include U. S. Government obligations maturing within one year. If there are factors that increase the possibility of net losses of deposits in the future, this primary liquidity reserve of cash, due from banks and Government securities maturing within one year should be larger, up to a maximum of say 10%.

Liquidity for Mortgage Commitments

A second liquidity need of savings banks is to have cash to take up mortgage commitments as they fall due.

This is a very different type of requirement from liquidity to meet net deposit withdrawals. New mortgage commitments are entirely within the discretion of the savings bank's management, and not of depositors. Management is free to take steps at any time to limit or reduce the volume of such commitments for the future.

The building boom of recent years made available a plentiful supply of attractive real estate mortgages. Savings banks were quick to take advantage of this opportunity to add higher earning assets to their portfolios, which has enabled them to increase dividend rates paid depositors. Today, mortgages held by the nation's mutual savings banks are almost two-thirds of deposits, as compared with only 40% as recently as 1950.

To build up mortgage portfolios so rapidly, it was necessary to make heavy forward commitments to make mortgage loans over long periods ahead. These commitments have brought to savings banks an additional major need for liquidity in recent years, particularly when they have fallen due at times when the deposit trend was disappointing or Government securities could not be sold except at substantial loss.

There are several expedients available to a savings bank that finds too heavy mortgage commitments an undue drain on its liquidity.

One of these is warehousing arrangements with commercial banks. When a commercial bank takes up mortgages for which a savings bank is committed and holds them for a period, the savings bank obtains a delay. In the interim, cash receipts or liquidation of other investments may be expected to provide money for taking up the mortgages during or at the end of the warehousing period.

A second expedient is to liquidate other investments in advance of the maturing of mortgage commitments. However, this can prove quite costly at times when Government and other security prices are severely depressed, as is now the case.

The most certain way to protect a bank's liquidity from becoming seriously impaired by heavy forward commitments to make mortgage loans is to limit these commitments to an amount equal to amortization receipts on mortgage loans that a bank expects over a given period of time. Cash to take up commitments would thus be assured by contractual receipts and would not be dependent on uncertain future deposit trends or a high level of Government bond prices.

Even where commitments are so limited it must be recognized that they will limit future availability for other purposes of cash inflow from mortgage repayments. The amortizing mortgage loan has often been referred to as a device by which liquidity may be maintained in a period of heavy net deposit losses. The effectiveness of this device to protect the liquidity of a savings bank during a period of net deposit losses is lessened to the extent that such receipts are earmarked to take up mortgage commitments. When $1,000 of amortization receipts are earmarked to take up forward mortgage commitments, such receipts are no longer available for meeting a net deposit loss.

As the ratio of mortgages to deposits reaches a high level, so that the expansion of savings bank mortgage portfolios necessarily slows down, there is less reason to enter into heavy forward commitments. Also, today's ample prospective supply of mortgage loans and corporate bonds should assure a bank that it will be able to obtain desirable investments without making contracts to acquire mortgages long in advance of the time when they become available.

When mortgage commitments are limited in volume to prospective amortization receipts for the period, with occasional resort to warehousing when needed, they will no longer give rise to liquidity problems for savings banks, although mortgage repayments then no longer contribute to future liquidity.

Sources of Liquidity: The Primary Reserve

There are several sources of liquidity available to a savings bank.

Cash on hand and balances with banks comprise the most certain source. In the case of balances with depositary banks, however, minimum balances must be maintained as a practical matter for normal bank operations and to compensate them for services rendered to the savings bank, so that not all such funds can be considered available for liquidity needs.

Cash on hand and on demand deposit in banks provides no income. New York State has ruled that it is consistent with sound principles of banking for savings banks to maintain a portion of their liquid funds as time deposits. Through such deposits, a material rate of return can be obtained by savings banks on a part of the cash held as a liquidity reserve. Savings Banks Trust Company has been accepting time deposits from New York savings banks since 1937.

Next to cash on hand and balances with banks come short-term U. S. Government securities. These are subject to market fluctuations. As riskless investments, however, the closer they are to maturity the less the possibility of adverse price fluctuations. The risk of price decline is negligible for Treasury bills, and quite small for other U. S. Treasury obligations maturing within one year.

Cash on hand and in banks and U. S. Government obligations maturing within one year constitute the primary liquidity reserve of a savings bank. This primary reserve assures the ability of a savings bank to meet net deposit withdrawals whenever they may occur.

The Secondary Liquidity Reserve

The term "secondary reserve" has been used by commercial banks to describe holdings of near cash assets such as prime short-term marketable securities. However, in the case of savings banks, a secondary reserve has hitherto been provided mainly by intermediate and long-term Governments.

When interest rates are low and longer-term bonds are relatively high in price, such a secondary reserve is an effective source of liquidity. In periods of high interest rates like the present, however, such issues can be sold only at substantial loss, so that they cease to provide a reliable source of liquidity. However, mainte-

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*An address by Mr. Ihlefeld before the 63rd Fall Convention of the Savings Banks Association of the State of New York, White Sulphur Springs, Nov. 8, 1956.

Providing Thrift Service With Better Savings Banks

By CLARENCE G. MICHALIS*
Chairman of the Board, The Seamen's Bank for Savings
President, Savings Banks Association of State of New York

Outstanding savings bank head answers the question, are savings banks to be prevented from serving the public effectively, by stating "we haven't the least intention of going out of business." Mr. Michalis reviews briefly the Savings Association's 1956 legislative activities, commends the bill creating the Mortgage Facilities Corporation, and presses the fight for branches. Warns that savings rate of increase is decreasing, and believes more savings can be tapped if public is provided more savings convenience.

At the 1956 session of the legislature the Association sponsored only two proposals — the branch bill and the mortgage participation bill. The branch bill once again failed to pass. The mortgage participation bill, which permits a savings bank to participate with other savings banks in the state in making mortgage loans on improved property in this state is already proving to be most beneficial.


C. G. Michalis

We filed memoranda in opposition to 11 bills affecting savings banks adversely, and I am happy to report that all of those bills were killed in committee. We also opposed some 16 bills and resolutions which would have affected adversely life insurance companies, and, incidentally, savings bank life insurance, and all of these bills and resolutions also died in committee. We supported a few bills affecting us either directly or indirectly but introduced by others, and all of these bills passed both houses.

I will not go into detail on our 1956 legislative activities, but I did want to point out that the Association had been working effectively on behalf of member banks, even though the number of bills actually sponsored was very small.

One piece of legislation passed at the 1956 session, which may well prove to be of great importance, was the bill creating the Mortgage Facilities Corporation designed to render financial aid in construction, rehabilitation, or purchase of housing accommodations in blighted or deteriorating urban areas by making first mortgage loans on a sound economic basis up to 80% of appraised value, or in excess of 80% if insured by the Federal Government or its agency. I would like to congratulate three savings bankers recently appointed by the Governor to the Board of this corporation: Charles R. Diebold, President of The Western Savings Bank of Buffalo; James T. Rooney, Senior Vice-President of The Emigrant Industrial Savings Bank; and Robert W. Sparks, First Vice-President of The Bowery Savings Bank.

Banking Law Revision

All of the officers and staff of the Association and many committee members have been spending a great deal of their time in recent months in connection with the prospective revision of the Banking Law.

On Nov. 8 we had been privileged to hear a report by Mr. Joseph A. Kaiser as Chairman of the Special Committee to Cooperate with the Joint Legislative Committee to Revise the Banking Law. I am sure that in the course of his report Mr. Kaiser will discuss fully the year's developments in connection with our continuing efforts to obtain more reasonable branch powers. I will try not to steal his thunder. There are, however, a few thoughts on this subject that I feel impelled to express.

Let me urge each of you to read —and to reread—the "Economic Study of Savings Banking in New York State" and the various reports of the Kaiser Committee. These documents, I assure you, will reward you handsomely if you give them close attention. I believe they will prove to be historic documents in annals of banking.

I hope that none of us will underestimate the importance of the work of the Kaiser Committee. Six years ago, when we first sought the right to open suburban branches, some savings bankers—especially some from outside the metropolitan areas — understandably may have considered the matter to be of less than first-rate importance. But since then, I believe, it has become evident that the issue is not merely whether savings banks shall be freed from archaic branch restrictions. The issue is much more basic: It is whether savings banks are to be prevented from serving the public effectively because of the brazen self-interest of a small group of commercial bankers. Indeed, at least one commercial banker has gone so far as to imply very strongly that savings banks should be abolished and to suggest very explicitly that they might well be converted into commercial banks.

Although it may come as bad news to that gentleman, I am sure that I speak for every one of you when I say that we haven't the least intention of going out of business. As for converting to commercial banks, why should we, when our commercial bank friends are covering that field so admirably?

Savings Banks to Stay

Seriously, though, I think we must face the fact that some commerical banks consider us strictly dispensable. Savings banks have served the thrifty people of New York State for 137 years. In very recent years many commercial banks have become interested in the savings field. Now that the commercial banks are ready to handle the job, the savings banks can fold their tents and silently steal away. That's the argument. But it has some faults.

For one thing, there is no assurance that commerical banks will continue to woo the saver as they do today. To put it quite simply, the purpose of a savings bank is to promote thrift, and the purpose of a commercial bank is to earn dividends for its stockholders. In times when money is tight and savings accounts are profitable, commercial banks can be expected to promote thrift

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*Presidential address by Mr. Michalis before the N. Y. State Savings Association Meeting, White Sulphur Springs, Va., Nov. 7, 1956.

Cobleigh a Director Of Investors League

William Jackman, President of Investors League, Inc., announced the election of Ira U. Cobleigh to the League's board of directors.


Ira U. Cobleigh

Mr. Cobleigh is President of Wright & Cobb Lighterage Company; a director of several other corporations and financial columnist for the *Commercial & Financial Chronicle*. He is also the author of several books on investments, the latest of these entitled, "How to Gain Security and Financial Independence."

F. M. Brooke Elected Governor of NASD

PHILADELPHIA, Pa.—Francis M. Brooke, Jr., Brooke & Co., Philadelphia, has been elected to the Board of Governors of the National Association of Securities Dealers. He succeeds as Governor Frank H. Hunter, McKelvy & Co., Pittsburgh, who is retiring as Chairman of the Board.

Mr. Brooke entered the securities business in 1936, after graduation from Princeton University, with Brooke, Stokes & Co., changed to Brooke & Co. in 1949. Mr. Brooke is President of the Philadelphia Securities Association, a Governor of the Bond Club of Philadelphia. He has served as co-Chairman of the NASD District Committee No. 12, and is a former Chairman of Educational Committee of the Eastern Pennsylvania Group of the Investment Bankers Association of America.

Robert E. Daffron, Jr., Harrison & Co., Philadelphia, has been elected a member of District Committee No. 12 (Delaware, Pennsylvania and New Jersey) to succeed Mr. Brooke.

L. Paul Close of Rambo, Close & Kerner, Inc., Philadelphia, has been elected a member of District Committee No. 12 to succeed Richard L. Neuburger. Frederic P. Mullins of A. E. Masten & Co., Pittsburgh, was elected to succeed James E. Crehan of Moore, Leonard & Lynch, Pittsburgh.

William J. Sloan Opens Own Investment Office

HOUSTON, Texas — William J. Sloan has opened offices at 2284 West Holcombe Boulevard to engage in the securities business. Mr. Sloan was formerly President of Texas Fund Management Company. In the past he was with Fahnestock and Co. and Smith, Barney & Co.

Toronto Bond Traders To Hold Dinner

Toronto Bond Traders' Association will hold its 25th Anniversary Dinner at the King Edward Hotel, Toronto, on March 8, 1957.

With Western States

(Special to THE FINANCIAL CHRONICLE)

ENGLEWOOD, Colo.—Ralph W. Newton, Jr. is now associated with Western States Management Corporation, 333 East Hampden. Mr. Newton has recently been with Columbia Securities Co. and Honnold & Company. Prior thereto he was an officer of Hicks, Newton & Co., Inc.

In Memoriam

STUART M. STANLEY

1894—1956

Stuart M. Stanley, who served for many years as a business representative of the "Chronicle" in the New York field, died at his New York residence, 440 East 56th Street, age 62. Up to his retirement last January he was Vice-President and Eastern Manager of the national dental magazine, "Oral Hygiene," which publishes four magazines for the dental trade.

Mr. Stanley was born in California and was well known in financial and drug circles. He was a member of the Sleepy Hollow Country Club and the Young Men's Lyceum Club of Tarrytown, N. Y. Surviving are his widow, Ethel Saymour Stanley, a daughter, Mrs. Robert Hebbard, a granddaughter, two brothers and three sisters.

During his active years at the "Chronicle," Mr. Stanley was admired by his co-workers and will be remembered for his independence of thought, vigorous mentality and courage in all his business situations and problems.

Connecticut Brevities

The Sikorsky Aircraft division of **United Aircraft Corp.** has announced that it plans to add 433,-200 square feet to its Stratford plant which was opened in 1955, thus increasing its size by 50%. This addition will permit the transfer of 1,000 engineering and service employees from the Bridgeport plant, with the resulting available space in Bridgeport to be used for increased production there. The Stratford plant produces the Sikorsky S-55 and S-56 helicopters, while the Sikorsky S-58 helicopter is manufactured at the Bridgeport plant.

* * *

C. H. Dexter & Sons, Inc., manufacturers of paper specialties in Windsor Locks since 1769, has recently purchased 25 acres of industrial land on the St. Lawrence Seaway. Dexter D. Coffin, President, in making the announcement, has said that the purchase is part of the company's long-range planning program, and there are no immediate plans for construction. The company is looking toward the future possibility of a branch plant there to serve the Canadian markets. The land is located on the St. Lawrence River in the town of Augusta, west of Prescott, Ontario.

* * *

The Southern New England Telephone Company has announced plans for construction of a new office building in the Oak Street Redevelopment Area in New Haven. The building, which will be New Haven's largest commercial structure, will provide working space for 2,400 employees. Construction, which it is estimated will cost more than $10,-000,000 is scheduled to begin next spring and is expected to be completed early in 1959.

* * *

Heublein Inc. (formerly G. F. Heublein & Bro., Inc.,) a leading manufacturer, importer and distributor of food and liquor, has reported sharp business gains for the fiscal year ended June 30, 1956. The company, which is closely held, had never revealed its operations to the public until January of this year. The latest report shows consolidated net sales of $68,543,461 for the 1956 fiscal year, compared to $43,039,-195 for the 10 months ended June 30, 1955. Gains were reported in all divisions, among them a 17% increase in sales for the company's A-1 sauce, and an 85% increase in sales for Smirnoff Vodka. Net income for the 1956 fiscal year amounted to $2,235,528 compared to $753,976 for the 10-month 1955 period. There are 500,000 shares of common stock authorized, with 359,689 shares presently outstanding.

Heublein is planning for expansion in both its food and liquor divisions. Arrangements have been made to purchase a tract of land in Muscatine, Iowa, for the storage of grain neutral spirits. The company is also planning to purchase 11.3 acres of land in Menlo Park, Calif. for the erection of a new plant equipped for the processing and manufacture of various food and liquor products. Effective Jan. 1, Hueblein will become the agency for a well-known brand of sherry and port wines made in England.

* * *

The Lycoming division of **Avco Manufacturing Corp.**, at Stratford, has been awarded three contracts totaling more than $17 million for the manufacture of R-1820 piston engines for Army helicopters and various Navy aircraft, R-1300 engines for Coast Guard aircraft, and product development of the T-53 gas turbine engine. The company has also established a tuition aid program for salaried engineering and technical personnel who wish to continue their studies. Some 300 employees are eligible to participate in the plan.

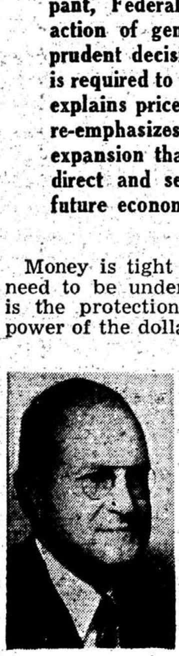
Purchasing Power of the Dollar

By C. CANBY BALDERSTON*

Vice-Chairman, Board of Governors of the Federal Reserve System

In delineating monetary and fiscal role, and pointing out that they cannot hold-up against group psychology running rampant, Federal Reserve Vice-Chairman concludes "combined action of general monetary policy, of fiscal policy, and of prudent decision making by" labor, business and consumers, is required to protect dollar's purchasing power. Mr. Balderston explains price inflation in terms of quantity theory of money; re-emphasizes Fed's policy of not allowing more monetary expansion than is consistent with orderly growth; finds past direct and selective controls were unsuccessful; and trusts future economic anticipations will not be lost through failure to meet immediate problems.

Money is tight and the reasons need to be understood. At stake is the protection of the buying power of the dollar. At stake also is the stretching out of the present period of high prosperity and employment.



C. Canby Balderston

Fortunately the long future of our economy is one of rich promise. Thanks to technological advance and population increase, the long-term prospects are superb. The wide recognition of this fact leads to the speculative enthusiasm that inspires some of the current plant expansion. These prospects are so full of hope for high employment and a never-rising scale of living that it would be a pity indeed if they were to be lost through failure to grapple with the immediate problems. These problems stem from the fact that currently aggregate demand is in excess of supply. Prices are being pushed upward, the economy endangered by cost squeezes, and values inflated by speculation. Too often binges have led to painful hangovers.

At a time when the general business climate is inflationary, it is obviously necessary to pursue credit policies designed to restrain excessive credit expansion. Also it is obviously not feasible for commercial banks to provide for the accommodation of all who wish to borrow. Some loan applications must necessarily be refused or deferred by commercial banks, even though they may be technically credit-worthy.

Re-emphasizes Fed's Policy

The recent rise in interest rates, including Federal Reserve bank discount rates, seems to have caused considerable apprehension lest the supply of funds in the money market during the ensuing months be insufficient to provide for essential credit needs, such as the movement of crops and the financial requirements of the Federal Treasury. In view of this apparent concern, it seems desirable to re-emphasize that the Federal Reserve System has no intention of allowing such a situation to develop. The Federal Reserve System has the continuing duty of providing a monetary expansion consistent with orderly growth of the economy. The discount facilities of the Federal Reserve banks continue to be available to member banks requiring temporary funds for their essential needs.

The goal of economic progress is more jobs and more goods combined with a dollar of stable buying power. The road toward this goal stretches ahead as an inviting path for us and our children provided the current economic traffic does not become snarled. Into the road there is now pouring more economic traffic than the present road capacity will permit to move forward at one time. This traffic comes both from government and from private sources; from corporations anxious to expand, and from individuals who wish homes and other durable goods. Too many people wish to get through first even if they disregard the rules of the road.

What is the nature of this traffic jam that threatens to impede economic progress? The demand for scarce goods is exceeding the supply and pushing prices upward. This explains what has been happening with respect to wholesale and consumer prices. Too many people want too many things too fast. They want to build new plants, office buildings, ships and planes at an unheard-of-rate and still retain record rates of production for residences and autos. The resultant pyramiding of demand not only creates scarcities such as that for steel and cement, but for certain labor skills as well.

Tight Credit Is Due to Demand

What is so clearly evident in the case of scarce materials and labor applies also to money and credit. The so-called tightness of credit is often attributed to insufficient supply, whereas it has in fact resulted chiefly from a pyramiding of demand. Actually the supply of money and credit is larger than a year ago, instead of being smaller as many imply when they use the phrase "tight money."

Moreover, money is being made to work harder. Demand deposits are being turned over about 8% faster than a year ago. This increase in money activity is to be expected in a period of credit stringency, and has the effect of making the supply of money more efficient.

The aggregate and rival demands of corporations and individuals to borrow heavily in order to buy more goods than exist at the moment explain the concern over the cost and availability of credit. When the demand for credit exceeds the supply of it, the price tends to rise. This is how the marketplace allocates the existing supply of credit among the rival claimants for it. In the process, many individuals and companies are disappointed that they cannot secure the funds to buy what they want right away. As a nation we are trying to spend faster than we save. If we should succeed, the higher prices that would result spell inflation with all its dread consequences to savings and to those dependent upon them. The well being is involved of wage earners who have pension rights and similar fringe benefits as well as that of widows, school teachers and all whose incomes are fixed.

Controls Are Partial Answer

There are some who would curb spending through price controls and rationing. Such direct or selective controls over imports, food, critical materials, and credit were resorted to by many nations, including our own, during and immediately after the war. It is my conviction that they are only a partial answer. Even supported by wartime patriotism, their success was limited and in the end did not prevent inflation. They did not prevent eventual loss in the purchasing power of the monetary unit. And they did involve the policing of hundreds of thousands of industrial and commercial enterprises and of private citizens. It is little wonder, therefore, that country after country shook off this harness of governmental controls when peacetime conditions permitted free markets to operate because such markets enable individuals to determine for themselves what they need, what they will buy, and at what price. Even though many individual spending decisions be unwise, the free market gives people the satisfaction of using their own knowledge, judgment, and initiative. In a democratic free-enterprise economy we must depend upon free markets and upon intelligent, not irrational, decisions on the part of businessmen and consumers.

Proper Role for Fed and Treasury

The proper role of government in these matters is to be responsible for fiscal policy, including the balancing of its own budget, and for general monetary policy. Responsible for the fiscal policy are the Treasury and the Congress. Responsibility for monetary policy has been assigned by the Congress to the Federal Reserve System with a mandate to serve as a trustee over the total supply of money and to carry on its work without fear or favor, free from partisan political pressure on the one hand, or private business pressure on the other. Its particular role is to regulate the reserves available to the commercial banks so that bank credit may expand and contract flexibly in accordance with the fluctuating needs of the economy. In the light of the Employment Act of 1946, those needs may be expressed most simply as the fostering of sustained economic growth and the maintenance of economic equilibrium. There can be no economic equilibrium without stable buying power of the dollar.

If the supply of credit becomes excessive in relation to the goods and services available, prices tend to rise; if the converse is true, prices tend to fall. Therefore, if the value of money is to be stable and to assist the economy to move steadily upward, its supply (at the current rate of deposit turnover) must be harmonized with the flow of goods. Hence, the supervision of government is needed over the total supply of money and credit. The apportionment among individual borrowers, however, is best left to competition between private borrowers and private lenders. It is the responsibility of the central bank to influence the total supply of credit but the selection of the particular customers to whom loans are to be made is left to the discretion of commercial bankers and other private lenders.

The Rules of the Economic Road

The problem, then, is to keep the economy running at high speed without overstraining its capacity. A continuous stream of transactions must be kept running much like the stream of traffic on a crowded highway. The latter can move with speed and safety only if drivers observe the traffic rules brought forth by experience.

The rules of the economic road, like traffic rules, are sometimes ignored. Perhaps the most fundamental of them is the preservation of balance and proportion between protection and risk, caution and daring, liquidity and expansion. Moreover, the quality of debt should not be impaired by equity that is overly thin. Finally, the decision-making of lenders and borrowers, whether business executives or consumers, must be prudent to provide economic growth free from serious inflation or from recession with its destruction of values.

The financial panic of 1907 that led to the founding of the Federal Reserve System six years later, the inventory panic of 1920 and 1921 with its crashing prices, and the collapsing stock market of 1929 and 1930 all preach their respective sermons. The quality of past business decisions may be said to determine the fundamental soundness of the economy at any given time. The decisions of 1955 are reflected in the sales, inventory, and employment figures of 1956 and may indeed influence those of 1957. These business decisions not only are influenced by group psychology, they help to create it. Sometimes they reflect excessive pessimism; sometimes speculative optimism.

One lesson of the depression of the 1930's would seem to be that if equity values suffer from too great destruction, those executives who must venture if the economy is to revive are too distraught and fearful to do so; or if they have the requisite courage and daring, they may no longer be considered credit-worthy by lenders.

Two Reminders and Observations

In contrast is the psychology of ebullience and unwarranted optimism. Financial history records boom after boom that burst because men "chased the fast buck" at the sacrifice of prudence. Two observations may be in order. One is that speculative fever may not, if it should again sicken the economy, take the form of stock market speculation like that of 1929 when margin requirements were too low and the rewards of the call-money market were too enticing. Speculation has many forms of dress and even of disguise. The second observation is that neither monetary control nor fiscal policy, nor the two in concert, are likely to maintain economic stability if group psychology runs rampant. How could they revive business from depression in the face of general despair? Or prevent inflation amidst a wave of reckless business decisions?

The problem of protecting the purchasing power of the dollar is like a three-legged stool. It requires the combined action of general monetary policy, of fiscal policy, and of prudent decision making by labor leaders, business executives and consumers. It would be highly desirable for each businessman and consumer to regard himself as a trustee of the economic health of the whole community. A philosophy of trusteeship and a sense of responsibility are salient features of democratic free enterprise and of a healthy economy.

*An address by Mr. Balderston before the 55th Annual National Association of Supervisors of State Banks Convention.

With Richard Harrison

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Neil Peart has become connected with Richard A. Harrison, 2200 Sixteenth Street.

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market was somewhat divorced from its recent fears this week and was able to put on a show of selective strength largely based on solid fundamentals like good steel operations, continued high demand for oil for the domestic companies and the prospects of defense spending running at a high rate indefinitely.

* * *

Lukens Steel was a particular star on forecasts for earnings of around $20, or four times last year's results. The stock which sold at a low of $42 this year, and under the $40 line in past years, was able to reach a peak of triple the low price and well past twice its previous peak prices in recent years.

* * *

Firming copper prices helped buoy the copper shares and they were able on occasion to put on superior market action, particularly since the high average price of the red metal this year has helped earnings show up very favorably.

* * *

International oils swayed with the hopes and fears generated alternately over the Middle-East crisis with the expectation general that they will have a nervous trading life for some time to come, and be ultra-susceptible to any bad news from the area. The popularity of the domestic oils to a degree will be in inverse ratio to the fate of the foreign ones marketwise.

Steel Demand Diffused

Steel demand has been anything but concentrated in the larger companies and the specialty ones as far as their profits reports are concerned, have participated fully in the boom. One of the more highly-regarded segments of the industry is the stainless steel producers who no longer are solely dependent on one field. Their work currently ranges from stainless utensils for dairy and home to products for jet aircraft and atomic energy installations.

* * *

Such companies as Eastern Stainless Steel, which has had an erratic earnings record in past years, have been able to show a much more solid prosperity basis recently. Eastern, while a low-yield item, still stands at a conservative value on a times-earnings basis with its speculative promise enhanced by the fact that the market is a fast growing one.

* * *

Armco Steel among the integrated companies of better investment quality is one of the important makers of stainless. Armco, moreover, will be able to post 1956 profits far more comparable with 1955 than the other large companies since its operations are never affected completely even by industry-wide strikes. During the mid-year industry shutdown, Armco was still able to hold operations to around half of capacity because of its large number of non-unionized plants.

* * *

General Dynamics, which was able in the first three-quarters of the year to boost profits by half, was something of a preferred issue in the aircrafts. Its activities are bolstered by its work in the field of atomic propulsion of submarines and, presumably, surface vessels in the future.

The Re-flating Coal Industry

One of the industries that has been sailing along, apparently unaware of the soft spots in the economy, is that of coal production. The consumption slump underway since the end of World War II was reversed last year and the consensus of opinion is that the deflation was sufficiently comprehensive so that there is little further decline ahead in railroad and home use. On the other hand, utility and industrial use is seen certain to grow.

* * *

Truax-Traer Coal, a low-cost strip mining operator, is a bit down the list in size among the nation's coal producers but is well up toward the top of the list in turning in operating profits. Something like three-fourths of its sales are to industry and utility customers, putting it directly in line to benefit from industrial expansion. Its better than 5½% yield is among the fatter ones available in the industry, particularly for a company with a strong financial position.

A Promising Can Merger

Among the recent mergers that should be about in position to demonstrate the benefits of the union is National Can at the lower-price end of the list, which since its acquisition of Pacific Can is in line to give some real competition to the two leaders of this industry. The company has been able to do a good job in bringing dollars down to net income with an even better growth potential in the future than the major producers. This gives it a leverage factor that has a distinct appeal in some investment circles. The company has stepped up sales to where this year they will run around 50% ahead of those of only four years ago. Management predictions are for an annual increase of at least 10% for the next several years.

Interesting Retailers

Department stores, long neglected in the market, have a rather faithful following particularly for those, like Allied Stores, that offer a yield of around 6¼% to keep well above any bond market competition. Moreover, the issue has been able to show above-average sales growth with its dividend well covered by a payout of only a little more than half of earnings. F. W. Woolworth also is considered as one of the more laggard of the quality issues with a yield of 5½% and the allure of its newest plan to take a stab at the mail order business.

* * *

With the aircrafts back in vogue, Boeing was prominent in being able to push to appearances on the list of new highs, which is something of a recovery after its rather sizable dip in sales last year. The company's principal appeal is as the leading producer of strategic long-range planes which, in view of the foreign situation, are going to be a fixture in American defense planning for a long time to come. Most projections indicate that the transition to newer planes is pretty well over and Boeing, for one, should be able to record better results not only next year but even for the year beyond.

A Prominent Convalescent

Westinghouse Electric is also an issue where a period of trouble upset the upward spiral, the specific pitfall in this case being a rather long and costly strike early this year from which the company has yet to recover fully. Profits for this year still reflect high promotional costs of regaining markets lost during the strike that lasted nearly half a year. New orders have been piling up at record levels, however, and the first significant recovery in the figures was in the September quarter. The company, apparently, has turned the corner and stands in line to boost both sales and profits at a steady clip from here out.

[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.]

NASD to Sponsor National List of Over-the-Counter Stock Quotations

Tabulation to include industrial, utility, bank and insurance stocks actively dealt in and which have a national following among dealers and investors. Standards used to determine eligibility of a stock for inclusion in the list are: minimum of 1,000 stockholders; minimum price of $5 at time of listing; 200,000 shares in hands of the public; and "convincing proof of public interest and dealer activity."

After more than a year of planning and preparation, including numerous conferences with representatives of members from every section of the country, the National Association of Securities Dealers announces that it will sponsor publication of a National list of quotations of over-the-counter securities — industrial, utility, bank and insurance stocks.

Frank L. Reissner, Chairman of the National Quotations Committee, in announcing completion of plans for a National list, said his committee considered this "a forward step in the Association's continuing efforts to build greater and greater prestige and recognition for securities in the over-the-counter market."

Mr. Reissner emphasized that the National list will consist only of those issues which meet certain standards. These standards, he said, are measures of the extent to which the securities may be considered to have national interest, dealer and public. The Association will continue to sponsor publication of over-the-counter securities on a regional or local basis as it has done since its formation.

Standards adopted for the National list, Mr. Reissner said, include:

—A minimum of 1,000 stockholders.

—A minimum price of $5 when added to the list.

—200,000 shares of the issue in the hands of the public.

—Convincing proof of public interest and dealer activity.

"This will be a job of continuing review of developments within the market which impart to an issue an ever-widening circle of dealer and investor interest," Mr. Reissner said. "It is not our purpose to create a list of 'blue chip' issues or in any way to adversely affect local and regional markets. As a matter of fact, the action of our committee is nothing more than a recognition of an existing set of facts; namely, a large number of over-the-counter issues today are of such stature as to market activity, number of stockholders, capitalization and price as to make them well-known and recognized in every section of the country. With such issues it is no longer a matter of location of the company or origin of the issue—the stocks are actively dealt in and have a following nationally."

In addition to Reissner, the other members of the National Quotations Committee are: Vice-Chairman William A. Fuller, Chicago; Albert C. Purkiss, New York; Edgar B. Rouse, Washington; Justin B. Stevenson, Jr., Cincinnati; Oliver J. Troster, New York; John W. Turner, Dallas; Emmet K. Whitaker, San Francisco.

"In addition to the standards that will guide us on issues to be included in the National list, the quotations to be used will be based on actual bids in the market at the time of compilation of the list," Mr. Reissner said.

Some 360-odd stocks make up the National list as it stands at the moment, it was announced.

Continued from page 8

NSTA Notes

SECURITY DEALERS OF THE CAROLINAS

Joseph H. Sanders

At the annual meeting of the Securities Dealers of the Carolinas held in Southern Pines on Oct. 25, the following persons were elected officers for the year 1956-1957:

President: Joseph H. Sanders, Jr., the Robinson-Humphrey Co., Columbia, S. C.

Vice-President: Logan Pratt, R. S. Dickson & Company, Charlotte, N. C.

Secretary: Thomas Moore, G. H. Crawford & Company, Columbus, S. C.

Treasurer: James F. Clardy, McCarley & Company, Charlotte, N. C.

SECURITY TRADERS ASSOCIATION OF CONNECTICUT

At the annual meeting of the Security Traders Association of Connecticut held on Oct. 26, 1956, at the Waverly Inn, Cheshire, Conn., the following officers were elected for the year 1957:

A. Maurits Johnson

Edward J. Beakey

Guy R. Hogarth

President—A. Maurits Johnson, G. H. Walker & Co., Bridgeport, Conn.

First Vice-President—Edward J. Beakey, Eddy Bros. & Co., Hartford, Conn.

Second Vice-President—Guy R. Hogarth, Edw. M. Bradley & Co., Inc., New Haven, Conn.

Secretary-Treasurer—George H. Angelos, Chas. W. Scranton & Co., New Haven, Conn.

Governor—William H. Rybeck, Wm. H. Rybeck & Co., Meriden, Conn.

Governor—Frederick T. Sutton, White, Weld & Co., New Haven, Conn.

New Importance of Management To Our Nation and Economy

By DR. PETER F. DRUCKER*
Professor of Management, Graduate School of Business
New York University
Author, Business and Government Consultant

Decision-making, committing present resources for future anticipations; welding together efforts and energies; and organizing productive power on a moral plane, are depicted by nationally known business advisor as the intellectual, social and moral dimensions of the crucial, revolutionary discipline, "management." Dr. Drucker attributes management's sudden importance and recognition to emergence of many power centers, besides big Government, and to rise of big business enterprise. Discloses withering away of classical owner concept, even when owner is the manager. States free world survival, and whether we grow or shrink, depends upon management's ability to direct modern nationhood and industrial economy.

Managing is one of the oldest activities of man. Human life, even in its most primitive form, would not have been possible without somebody's managing. For human life has always been in institutions. And management is the active, the life-giving, the dynamic force without which no institution can come into being, let alone survive.

Peter F. Drucker

But managing is also one of the newest and youngest activities of man. Or, at the very least, our awareness that such an activity exists and such a function as management exists, is of exceedingly recent date. Nothing shows this better than the fact that until two or three decades ago, we had no word to describe this activity. Even in the early 'Twenties, "management" and "managing," though both are very ancient Anglo-Saxon words, had none of the meaning we now give to these words. In England management was, until four or five years ago, always put between quotation marks and used as a conscious, if not self-conscious Americanism. And very few of the other European languages have any word for this activity at all. Most of them simply use the American term "management" in clear recognition of the fact that there is no term in their own language that would do.

Why haven't we been aware of this function, this activity earlier? And why, today, are we so highly conscious of it, so concerned with it? What explains that earlier generations did not see what we so clearly see? A great deal of the parts and pieces of what we today call "managing" were indeed seen very much earlier. On the state, on government, on laws, on justice, there is still nothing that goes beyond the vision and the understanding of the Greeks. In respect to leadership, there is still no better text than the Old Testament. And certainly that highly important, if not crucial subject, the relationship between the individual person and the organized institution, has never been studied more closely or understood more clearly than during the High Middle Ages. Yet none of our predecessors ever but the pieces together and came up with this concept, this vision, this knowledge of a purposeful human activity, namely managing. Why do we all of a sudden see so clearly what to earlier times seemed to be totally invisible?

*From a talk by Dr. Drucker at the Fiftieth Anniversary Commencement Exercise, Pace College, New York City.

Why Sudden Importance of Management?

One answer is, of course, that our time has seen a very rapid process of institutionalization. Only 50 years ago, at least in the Western World, power centers were few and weak. Today organized centers of power, that is, highly charged institutions, dominate our life: the big government, the big armed forces, big business, the big labor union, to mention just a few. More and more the individual is becoming effective only insofar as he works through and with these organized institutional centers of power. But, after all, the lack of such centers during the nineteenth century rather than the present rapid growth of these centers, is, historically, the exception. Certainly, at least in the free world, these organized institutions of powers are still much less dominant, much less prominent, much less important than they were in antiquity or in the Middle Ages. Yet during those times, the understanding of management was well beyond the horizon even of the most farsighted.

Another reason for our sudden vision of managing and management is, of course, the rise of the modern big business enterprise. In particular, the problem posed by the shift from the owner to the manager has forced our attention onto the concept and function of management. It may well be said to have been the starting point of our thinking about this new process, this new function which we call management. For the people responsible for business enterprise today can no longer behave according to the classical pattern of the owner, not even if, indeed, they themselves are the owners. That they have had to learn to subordinate their own interests to the survival's interests of the enterprise and to the purposes of the many groups which stand in a special relationship of right, responsibility, and claim to the enterprise, is indeed a new and startling phenomenon, which could not be explained within the framework of the traditional nineteenth century concept, either of human behavior or of economic life.

Still, the real reason why we, today, see managing and management, and why we, today, concern ourselves so much with this process and this function, is a very much deeper one. And unless we understand it, we will not really be able to understand what we mean when we say "managing" and "management."

Real Reason for Management's Importance

The real reason is the tremendous shift in the world-view which the Western World is undergoing during the twentieth century. It might best be characterized by saying that the period during which Descartes and the Cartesian world-view dominated the West are definitely over—the 300 years which our history books call "the modern age." It was typical of the Cartesian vision that it held axiomatically that the whole is equal to the sum of its parts; nay, indeed, that the whole **is** the sum of its parts. This we no longer believe today. In fact, we rapidly even lose the faculty of understanding what this statement, so self-evident to our grandfathers, actually means, or indeed, that it means anything at all.

In every discipline today, we subscribe, even though quite unconsciously, to the axiom that the whole is, at the very least, different from the sum of its parts, if not that the whole alone has recognizable existence, and that the parts are very little but deductions from this vision of the whole. In psychology we talk today about the "personality." In physics we talk about "fields," in engineering of "systems," in biology of "organisms" and of organic processes, such as "metabolism." Our economic thinking starts out with a concept of national income, national products, and national productivity. And similarly, we talk of wholes in the arts.

Cartesian Universe No Longer Accepted

We are seeing configurations. And it is the configuration that is real to us, not the parts that compose it.

The essence of all these configurations, which together give us our modern world-view, is that they are purposeful. In the Cartesian universe, wholes were explained by causes, were, indeed, the effects of causes that lay in the parts. In the twentieth century world-view, it is the purpose of the whole that alone enables us even to identify the parts, to describe them, and to understand them. It is not true, as some modern philosophers of science seem to state, that we have substituted a random universe, governed by statistical probability for the causal universe of the seventeenth and eighteenth centuries. We are rapidly in the process of replacing the causal universe of a mechanistic philosophy and physics with a purposeful universe of configurations in each of which the parts, the ideas, the phenomena themselves, can be understood only on the assumption that they could not have been arranged or organized differently were they organized and arranged for the purpose of configuration itself.

And finally, essential to this modern world-view, is that all of these configurations are processes, that is, moving, growing, dynamic. Where the universe of the Cartesian philosophy was essentially a timeless universe, ours is always directed toward the future, always reaching out, always developing, always becoming.

It is much too early, apparently, for us to understand what this new vision, this new world-view of ours means. We so far lack the concept to describe it and the methodology to explore it. We so far lack our Descartes. And it is certainly not my job—even if I were capable, as I am not — to supply this great philosophical synthesis which we need to understand what we already feel and to analyze what we already know.

Management Is Organized Activity

But it is quite clear that our understanding of managing and management, indeed our ability to perceive the existence of such an activity and such a function are the direct result of this new world-view. It is perhaps even clear that the speed with which we have shifted to this new world-view, a speed that has left behind, panting for breath, the professional philosopher and methodolgist, is, in no small measure, the result of our need to understand management and managing, and of the speed with which management has become central to organized political, social, and economic life in the modern world. For management is truly such a "configuration," such a "whole," and "managing" is truly such a purposeful process. Indeed, these new concepts of managing and managements are a means to comprehend in one vision and to pull together in one discipline all the pieces that deal with the bringing together of human beings into an organized and purposeful activity, all the pieces that, over the centuries, have been identified, described, and studied by so many of the great men of our heritage.

It is also increasingly clear, that in this new concept, in this new vision lies one of our greatest opportunities for a better understanding of this essential human activity and for purposeful and systematic work at improving our competence in managing and our performance as managers. For in these concepts we have the foundation for a true and genuine discipline, which, in turn, should enable us to develop a true and genuine profession of managing, founded on a systematic and organized body of knowledge, capable of being taught, or at least of being learned, and informed by high standards of conduct and dedication. In the development of this discipline lies one of the greatest challenges and one of the greatest opportunities of our time.

Three Dimensional Management

We know, so far, very little. We have barely begun work on the development of this discipline. So far it is a vision rather than a discipline, a promise rather than a fulfillment, an opportunity rather than a fact. But we know enough about it to know that this activity, which we call "managing," has three dimensions, three dimensions which, among themselves, engage the whole of man, rather than just one of his faculties. We know that in managing there is an intellectual dimension. We know that there is a social dimension, and we know, finally, that there is a moral dimension.

There is an intellectual dimension — and accordingly the need for a coolly intellectual, that is, a strict and rigorous discipline—because managing, regardless of the character of the institution managed, always means making decisions today in anticipation of the future. Managing always means committing present resources — and above all, present human resources — to future results. In the business enterprise we might call this the entrepreneurial decision; in government we might call it statesmanship. And it is not only that managing always means anticipating the future and committing resources to one's reading of the future. It also means making the future; for these decisions in anticipation of the future in themselves shape and mold the future. Here is need, crying need, for an organized and systematic discipline of decision-making and for an organized and systematic discipline of policy formulation.

We have to learn how to set objectives and how to make assumptions with respect to the future which can still be considered rational — even though we will never be able to know the future. We have to learn how to measure our progress toward these objectives, so as to know when to re-make the decision or to unmake it. We have to know how to assess risks and how to take risks in such a manner that we need not jeopardize the future of the institution entrusted to us by being reckless or by "playing it safe." And this, let me repeat again, is an intellectual discipline, if only because decision-making is an activity of the mind.

Management Welds Together Energies and Efforts

But managing is also always social in character, for the only thing one can manage is the visions, energies, and efforts of people. It is the purpose of management to bring together and to weld together the free and freely given energies and efforts of free people through a common purpose and for a common cause. It is the purpose of management, and a major test of its competence and performance, to make effective all the strength that can be found in the human beings within the institution, while neutralizing all the weaknesses inevitably found to be mixed in with the strengths. Managing means motivating. And the motivation must be appropriate both to the purpose the institution serves and to the work it has to perform, and to the ideals, visions, competences, and abilities of the individuals which compose the institution.

And finally, managing always has a moral dimension. In fact, it has probably more than one moral dimension. It not only implies a responsibility for the goals of the institution itself. And unless the purpose to which the institution dedicates itself is the realization of some high ideal, the institution itself will be a mean and brutish one and will demean and make brutish all those associated with it. But above all, managing, by necessity, means organization of power. And power, this is one lesson our long history should have taught us, should be justified only morally.

Above all, managing means being responsible for the vision, the energies, the efforts, and the results of people. And it is characteristic of the human being—and the one thing that sets him apart from every other resource at man's disposal—that he is not static, cannot, indeed, stand still. Above all, in work and life in an institution, the human being will either develop into a bigger, better person, a person with higher vision and greater competence; or the human being will shrink, become smaller, pettier, less competent, and less capable.

Management Sets Moral Goal

There is deep and profound wisdom in the insight of Genesis: Man, alone among all creatures, was not endowed with a nature of his own but was created in the image of the Creator—his nature being either to develop into a true image, or to degenerate and become lower than the lowest brute. And while responsibility for this fundamental, existential choice open to man and to man alone, rests squarely upon each of us and upon the individual — for there is no development of man that is not self-development—it is the manager who, through his example, through his values, through his practices, and through the rewards and incentives at his command, creates the opportunities and challenges to self-development or destroys them. It is the manager who, in large measure, decides whether the people in an institution will grow or will shrink.

If management is a profession, —and the manager clearly has to accept all the responsibilities of the professional—it will have to be a moral profession, above all; for what is to be professional on managing will have to be the exercise of power. And if the manager has to acknowledge one supreme law, it must be the law of Charity, in its truest and purest meaning, as the pursuit of man's highest goals through his relationship with others.

American Management Faces Supreme Test

That there is such a process, such activity and function as managing and management, we have only known for a scant 25 years—hardly enough for the world to have gained currency, let alone for anyone to acquire proficiency in this new activity. And yet, despite its youth, its inexperience, its ignorance, management, and above all, American management, today, faces a supreme test and occupies a unique position.

If there is one development that characterizes our world today, one development, the outcome of which will determine how our children and grandchildren will live, if not, whether they will live altogether, it is the upsurge of areas which, only yesterday, were primitive, colonial, subject, under the sway of age-old custom and resigned to be governed by whoever could impose his will. Today, all over this world of ours, these peoples are striving for governments of their own and for modern economies that will deliver them from the age-old bondage to grinding poverty. The decision which of the rival basic beliefs that today vie all over the world for dominance in the hearts and minds of men, will prevail, will depend on the ability with which the pre-industrial countries (and it might be better to describe them as pre-political countries) can achieve this twin-goal of modern, organized nationhood and modern, organized industrial economy.

The achievement of both depends, above all, if not exclusively, on their ability to learn management and to produce managers. This, and I believe our discussion this morning has brought this out quite clearly, is the real key to the ability to organize political life and to the ability to organize economic life. For both depend on purposeful activity that unites human vision, energy, and effort for a common purpose, the activity which we call "managing."

Free World Looks to United States

But it is the American manager who today stands in this world of ours as the symbol and the leader in management. It is the American achievement in the understanding of management and in its study that, throughout the world, stand for this new knowledge and discipline that is so urgently needed. It is from us, primarily, that the pre-industrial countries will have to learn what managing means; it is to us, above all, that their young people who want to become managers will look for example, leadership, and affirmation. If they will not find here what they need, above all if they will not find here the dedication to the highest standards of professional competence and to the highest moral values and principles, they will, of necessity, look elsewhere. It is on the American manager, his competence, his dedication to professional standards and his unswerving faith in his own professional values and beliefs, that the future, if not the survival of the free world, very largely depends.

Kidder, Peabody Group Offers AMP Inc. Stock

An underwriting group headed by Kidder, Peabody & Co. yesterday (Nov. 14) offered for public sale 277,700 shares of AMP Inc., $1 par value common stock at a price of $16.25 per share.

Of the total shares offered, 128,200 shares, which were purchased by the company from certain employees and one other stockholder, are being sold for the account of the company and the proceeds of the sale will be used for general corporate purposes, to enable the company to carry an increased inventory and to finance a larger balance of receivables. The remaining 149,500 shares are being offered for the account of certain selling stockholders and no part of the proceeds will be received by the company. An additional 30,000 shares of common stock are being offered by the company to employees, the unsubscribed portion of which will be taken up by the underwriters for public offering.

Formerly known as Aircraft-Marine Products, Inc., AMP Inc. produces over 10,000 different types and sizes of solderless electric wire terminals, which provide a means of connection wherever electricial wiring is used, as well as a complete line of machines and tools for attaching the terminals to wires. Industries served include electronics, business machines and computers, aircraft and automotive manufacturing, electric appliances and equipment, and many others.

Sales have increased from $2,210,483 in 1947 to $21,647,301 for the year ended Dec. 31, 1955, at which date net income was $1,605,588. For the eight months ended Aug. 31, 1956 sales were $20,719,354, and net income $2,142,163.

Joins S. B. Franklin

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—William D. Clark, George M. Low, Jack S. Mah and Edwin W. Sharpe are now connected with Samuel B. Franklin & Company, Crocker Building.

Join F. W. Maisel

(Special to The Financial Chronicle)

WALNUT CREEK, Calif.—William H. Besthorn, Vivan S. Cooper, Wendell A. Hutchinson, Albert E. James, Tom W. Keeney, Ted Kenyon, Alexander T. Merrick, Donald A. D. Parka, Edward J. Silveira, Lou E. Turner, Montyne R. Trulsson, Elizabeth J. Wedel and Edwin F. Winberg have been added to the staff of F. W. Maisel, 2901 Mt. Diablo Boulevard.

Three With J. D. Creger

(Special to The Financial Chronicle)

WHITTIER, Calif. — Glenn A. Dale, Clarence D. Goldberg, and Bernard Lurie have become associated with J. D. Creger & Co., 124 North Bright Avenue.

Joins King Merritt

(Special to The Financial Chronicle)

SPRINGFIELD, Mo. — Charles C. Schooler has become connected with King Merritt & Company, Inc., Woodruff Building.

With Daugherty, Butchart

(Special to The Financial Chronicle)

PORTLAND, Ore. — Douglas Crowley is now connected with Daugherty, Butchart & Cole, Inc., 729 Southwest Alder Street.

With Paine, Webber

(Special to The Financial Chronicle)

MILWAUKEE, Wis. — John E. Usher is now connected with Paine, Webber, Jackson & Curtis, 605 North Broadway. Mr Usher was previously with Schwabacher & Co.

Does Lower Profits in Britain Check Inflation and Wage Rises?

By PAUL EINZIG

Noted British economist explains the advantages and disadvantages arising from efforts to meet increased costs out of profits. In crediting disinflationary measures for ending the process wherein increased costs were added to sales price as a matter of course, Dr. Einzig shows that it has tended to cause inventory accumulation, non-durable goods price rise, profits squeeze, and discouraged risk capital-flow.

LONDON, Eng. — The accounts of two leading British automobile manufacturing concerns showed a spectacular decline in their profits during the past year. The trading profits of Standard Motor Company declined by some 75%, while those of the British Motor Corporation group were down by 43%. Declines of comparable magnitude are not confined to the motor industry, even though that industry has been hit harder than most by the change in the economic climate. The British Motor Corporation explains in its annual report that, although turnover was maintained at the previous year's level, the expected expansion in demand did not materialize. Profits were reduced by rises in costs.

Dr. Paul Einzig

During the last year many British firms made a valiant effort to meet increased costs out of their profit margins. Until recently during the pastwar period any increase in costs was added to the sale prices as a matter of course, and the buying public was willing and able to pay the higher price. In its effort to stem the rising trend, the Government has been exhorting industrial firms ever since October, 1955, to stop the rise in the prices of their manufactures, if necessary by reducing their profits. No amount of exhortations would have produced the desired results, however, had it not been for the active disinflationary measures adopted by the Government. These measures affected demand for consumer durable goods, judging by the figures of instalment credit statistics.

May Have Inflationary Consequence

The accumulation of inventories compelled manufacturers to abstain from raising their selling prices in spite of a further increase of wages and other costs. Indeed in a number of instances they actually cut their prices in an effort to reduce inventories and to maintain output.

The number of items in which such cuts have been effective represent, however, only a fraction of the total turnover of consumer goods. Other consumer goods are still rising and even if the average cost of living has been maintained stable during the past six months its disequilibrium is very precarious. The volume of consumer purchasing power continues to increase as a result of rising wages. In theory this factor is partly offset by a decline in profits. In reality such a redistribution of national income tends to be distinctly inflationary. For recipients of wages spend a larger proportion of their income on consumer goods than recipients of profits.

The decline of profits may result in some reduction in consumer demand for luxuries, especially if it is accompanied by a decline in the prices of industrial equities. Even shareholders who live strictly on their income allow themselves to be influenced by the Stock Exchange prices of their investment in their decision whether to spend to the limit of their incomes or to save some of it. The effect of a fall in demand for luxuries is more than offset by the increase in demand for primary and secondary necessities resulting from the increase in the relative share of wages in the national income.

Non-Durable Price Rise

The restriction on instalment credit produces, on the one hand, an excess of repayments of old credits over the amount of new credits. The mopping up of purchasing power achieved by such means is distinctly disinflationary. On the other hand, if, owing to the compulsory fixing of higher deposits and shorter terms of repayment or to the limitation of the amount of instalment credit by selective credit control, many consumers are unable to engage in new instalment credit transactions, this does not necessarily mean that they will save the amounts which they would have otherwise employed in such transactions. On the contrary, in all probability the majority of them would spend more on non-durable goods instead of spending on durable goods. And the chances are that such change in the trend of demand tends to raise prices.

For one thing the supply of most non-durable goods, such as land products, cannot be adjusted quickly to the increase in the demand so that the additional buying pressure tends to put up their prices. To some extent this is offset by the decline in the prices of durable goods resulting from the smaller demand. The prices of durable goods are, however, much more rigid, and their supplies are much more easily adaptable to changes in demand, than those of non-durable goods. We pointed out above that the change in the economic atmosphere in Britain affected only a relatively small proportion of durable goods. The reduction of their prices is not sufficiently widespread to make a fundamental difference to the trend.

Wages Demands and Capital-Flow

From the point of view of checking the inflation, the decline in profits has one advantage. It tends to discourage wages demands. No exaggerated importance must be attached to this argument, however. It is true, the evidence of increases in profits stimulates wages claims. Amidst prevailing labor shortage, however, it would be a mistake to assume that in face of a decline in profits the trade unions would renounce their demands for higher wages. The fact that the British Railways are working at a heavy loss does not prevent the unions of its employees from pressing for high wages in increasing intervals. Employees of industrial firms, on the basis of postwar experience, are inclined to assume that any wage increases can easily be passed on to the consumer. For this reason even in the absence of an adequate profit margin out of which to meet wages demands, many unions are likely to insist on higher wages on the assumption that even if their employers cannot afford an increase out of their profits the community as a whole would be willing to pay higher prices.

For the above reasons the extent to which a fall in profits is likely to contribute towards checking the inflation is limited. Such advantages as it may entail from this point of view are more than offset by the disadvantages of a decline of the ability and willingness of investors to provide much needed risk capital. Considering that even during the boom years the volume of industrial capital expenditure in Britain was far from sufficient, the decline in profits must be viewed with concern.

Cruttenden, Podesta New Firm Name

CHICAGO, Ill. — Walter W. Cruttenden of Cruttenden & Co., members of the New York and Midwest Stock Exchanges, has announced that the company is changing its name to Cruttenden, Podesta & Co. effective Nov. 15.

W. W. Cruttenden

Robert A. Podesta

Robert A. Podesta has been managing partner and director of operations since he joined the company in 1949, Mr. Cruttenden said. Mr. Podesta, is a veteran of 25 years in Chicago's financial community. He is a graduate of Northwestern University.

There will be no change in the organization of the business or in operations of the company, which is one of the midwest's leading underwriters and distributors of investment securities. Other partners are Donald B. Stephens, Glenn R. Miller, Walter W. Cruttenden, Jr., and Donald R. Bonniwell.

Cruttenden and its predecessor firms have been active since 1930 in the general investment banking and brokerage business. Since 1942, when Cruttenden & Co. was formed, personnel of the company has increased from 20 to 200. Besides its Chicago headquarters at 209 South La Salle Street, the company has offices in New York, Denver, Lincoln, St. Louis, Omaha, Milwaukee, Grand Rapids, Madison and Cedar Rapids.

Joins Shelley, Roberts

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Harold L. Barlow, Charles C. Sattes and Jack G. Seid have joined the staff of Shelley, Roberts & Co., 9486 Santa Monica Boulevard.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Frank C. Burke and Pauline Scott are now with King Merritt & Co., Inc., 1151 South Broadway. He was formerly with Sterling Securities Co.

Form Jensen & Stromer

(Special to THE FINANCIAL CHRONICLE)

MARYSVILLE, Calif. — Ralph L. Jensen and Gordon T. Stromer have opened offices at 426 Fifth Street to engage in a securities business under the name of Jensen and Stromer. H. Derick Godbold and Donald J. Blake have joined the firm's staff.

Continued from page 13

Assuring Savings Bank Liquidity

nance of a valuation reserve to absorb losses on this portion of the "secondary reserve" portfolio would permit sales below cost at times of low bond prices with less adverse effect on surplus.

One consideration in favor of including longer-term Governments in a secondary liquidity reserve is that losses of deposits to a degree that might place a strain on primary liquidity are more likely to occur during periods of business recession, when interest rates tend to decline and bond prices to rise. Another is that U. S. Government securities constitute the best kind of collateral for loans at relatively low rates should borrowing be desirable at times when market conditions do not make sales possible. Moreover, with the passage of time intermediate term obligations become short-term issues, and so move into the primary liquidity reserve.

A secondary reserve equal to 10 to 15% of deposits is a valuable supplement to the primary liquidity reserve of a savings bank. This reserve would be composed mainly of intermediate and long-term Government bonds, but could include other interest-bearing securities of highest grade maturing up to five years.

Borrowing for Liquidity

Commercial banks borrow from the Federal Reserve banks or from correspondents when their reserves are impaired. It has been suggested from time to time that savings banks should borrow similarly when they require more liquidity.

There is a world of difference between the liquidity requirements of a commercial and a savings bank. Deposits in commercial banks consist mainly of checking accounts subject to erratic and unpredictable fluctuations which may result in occasional shortages of reserves even in the most conservatively managed banks. Moreover, in administering its function of credit control, the Federal Reserve System can cause deficiencies in reserves for the commercial banking system through open market operations and by means of other measures. Were it not for their ability to discount at the Federal Reserve banks, member commercial banks would have to keep a far larger part of their assets in the form of cash and very short-term Governments as a primary reserve than they do today.

Savings banks, because of the relative stability of the volume of funds entrusted to them, need only a 5-10% reserve for liquidity to meet the possibility of withdrawal of savings. This can best be provided by maintaining a primary reserve of cash, due from banks and U. S. Government securities maturing within one year, rather than by borrowing. If borrowing were resorted to for meeting every net loss of deposits, this valuable expedient might not be available for real emergencies caused by heavy net losses of deposits, when its role is most vital.

Reliance on borrowing as an ultimate source of liquidity would be appropriate only in the contingency when net deposit losses become so large as to make the primary reserve inadequate at a time when the market for securities lacks adequate depth and breadth.

Continuous borrowing to take up heavy maturing mortgage commitments or borrowing to purchase seemingly attractive investments is not a prudent practice for savings institutions. A savings institution may find that it is so heavily indebted to the lending institution that it cannot borrow more, while pressure to repay indebtedness previously incurred actually impairs liquidity. Were net withdrawals of funds to occur under such conditions, the management of the institution would be faced with a real emergency.

Last year the Federal Home Loan Bank Board called on member savings and loan associations to refrain from increasing borrowings at the Home Loan banks at a time when heavy mortgage commitments were maturing. Subsequently, borrowings were limited to 10% (now 12½%) of savings capital of individual associations. Once an association found itself at the limit of its borrowing, not only did borrowing cease to provide liquidity, but it was confronted with the need for paying off its large outstanding loans to the Federal Home Loan banks.

Fortunately net withdrawals of funds by shareholders that would have created a serious emergency did not develop at this juncture.

A Program for Liquidity

A savings bank can assure itself today of adequate liquidity at moderate cost through the measures I have discussed. They may be summarized as follows:

(1) Maintain a primary liquidity reserve against the possibility of net deposit losses equal to 5 to 10% of deposits, depending upon expected deposit behavior in the period ahead. This primary reserve should consist mainly of cash and due from banks and could include U. S. Government securities with maturities up to one year.

(2) Maintain a continuing forecast of cash receipts and disbursements, to see whether the cash flow promises to cause a reduction or an increase in the primary liquidity reserve. This will help decide whether the primary reserve should be nearer the minimum or the maximum level.

(3) Maintain a secondary reserve equal to 10 to 15% of deposits, to supplement the primary reserve. Intermediate and long-term U. S. Government securities and other interest-bearing securities of highest grade maturing up to five years would be suitable for this reserve. Such a reserve would be particularly helpful to meet relatively heavy net withdrawals of deposits which could occur in a period of business recession, when interest rates would probably be low and bond prices high.

(4) Minimize liquidity needs due to the maturing of heavy mortgage commitments by limiting future commitments for each period to a volume of mortgage loans that will correspond to amortization receipts which may reasonably be expected on mortgages held in the portfolio. Warehousing could be utilized occasionally to help keep mortgage absorption in line with funds expected to become available and earmarked for the purpose of taking up mortgage commitments.

(5) Conserve the power to borrow to meet possible heavier future net deposit withdrawals by refraining from exhausting this power for the purpose of taking up mortgage commitments or of making new investments. Borrowing, for a savings institution, is properly a source of credit of last resort, and not a supplementary source of investment funds. Many savings and loan associations have learned this lesson during the past year, when they have found themselves heavily indebted to pay for past investments that seemed attractive at the time, while far more attractive new investments

were becoming available to them later on.

A savings bank may not be in position to put into effect immediately the entire liquidity program I have discussed. But every bank can place itself in a strong liquidity position by proceeding along these lines as rapidly as circumstances permit.

Hunt, President of Exchange Firms Ass'n

E. Jansen Hunt, partner and syndicate manager of White, Weld & Co., New York City, was elected President of the Association of Stock Exchange Firms for the year 1956 at the annual meeting of the Board of Governors. Mr. Hunt has served on the Board since 1951 and has been Chairman of its Public Relations Committee since 1953. He is past Chairman of the New York Group and a Governor-designate of the Investment Bankers Association of America. Mr. Hunt succeeds James J. Lee, partner of W. E. Hutton & Co., New York.

E. Jansen Hunt

Lloyd W. Mason, Paine, Webber, Jackson & Curtis, New York, and Lloyd C. Young, Lester, Ryons & Co., Los Angeles, were elected Vice-Presidents; and James G. Tremaine, Gude, Winmill & Co., New York, Treasurer.

New Governors elected to the Board of 35 at the annual meeting of members held earlier in the day are: Edward N. Carpenter, Jesup & Lamont, New York; Henry I. Cobb, Jr., De Coppet & Doremus, New York; William C. Coe, Mackall & Coe, Washington, D. C.; Brittin C. Eustis, Spencer Trask & Co., New York; J. Emerson Thors, Kuhn, Loeb & Co New York.

Re-elected were: Henry M. Cook, Newhard, Cook & Co., St. Louis; John H. Kitchen, George D. B. Bonbright & Co., Rochester; Robert J. Lewis, Estabrook & Co., New York; Charles McKenna Lynch, Jr., Moore, Leonard & Lynch, Pittsburgh; Wickliffe Shreve, Hayden, Stone & Co., New York; Edward F. Thompson, Jr., Lamson Bros. & Co., Chicago; Lloyd C. Young, Lester, Ryons & Co., Los Angeles.

Elected as the Nominating Committee for 1957 were: Roger Cortesi, Auchincloss, Parker & Redpath, New York; Horace W. Frost, Tucker, Anthony & R. L. Day, Boston; William M. Meehan, M. J. Meehan & Co., New York; John J. Sullivan Bosworth, Sullivan & Co., Denver; C. Newbold Taylor, W. H. Newbold's Son & Co., Philadelphia.

Two With Aronson

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Leo M. Katz and Reed O'Neil have become connected with Aronson & Co., 426 South Spring Street.

Three With Mutual

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Thomas S. Jew, Chris. A. Mitchell and Masao Sakai have joined the staff of Mutual Fund Associates, Incorporated, 506 Montgomery St.

D. W. Holmes Opens

(Special to THE FINANCIAL CHRONICLE)

MADERA, Calif.—David W. Holmes is conducting a securities business from offices at 124 South D Street. He was formerly with Herbert H. Wigh & Co.

Blyth Group Offers Reichhold Com. Shs.

An underwriting group headed by Blyth & Co., Inc., yesterday (Nov. 14) offered publicly an issue of 200,000 shares of Reichhold Chemicals, Inc. $1 par value common stock at a price of $22.50 per share.

The net proceeds of the current sale of common stock will be added to the company's general funds to increase working capital and to aid in the corporation's 1957 construction program. Present plans contemplate expenditures of approximately $3,000,000 during the forthcoming year for additions and improvements to plants and research facilities. During 1955 the company spent approximately $1,000,000 on research and development.

For the year 1955 Reichhold Chemicals realized net income after Federal taxes of $2,075,000 on net sales of $53,573,000. In the eight-month period ended Aug. 31, 1956, net sales were $39,164,000 and net income was $1,311,000, compared to $35,144,000 and $1,534,000, respectively, for the similar period of 1955.

Reichhold Chemicals is the largest producer of synthetic surface coating resins. Other products include inorganic color pigments, industrial chemicals, special resins, glues, and catalysts. The company has 13 plants in this country with subsidiaries in Canada, France and Switzerland.

Since its incorporation in 1930, Reichhold Chemicals has paid no cash dividends on its common stock with the exception of one in 1933. It has been a policy of the company to reinvest earnings in manufacturing facilities.

After the current sale of common stock it is the intention of the Reichhold Board of Directors to declare quarterly dividends of 15 cents in cash and 1% in stock on each share of common to holders of record Jan. 24, 1957. Officers and directors will own of record and beneficially about 75% of outstanding common stock upon completion of the offering.

Within Limits, Yes, but . . .

"Second thoughts on the subject of Tuesday's voting show that the results were more encouraging than first appeared. We are confident that conservatives in both parties will be able to keep a check on taxes, spending and other measures in Congress.

* * *

"Also, we are pleased by the fact that industrial areas of the country showed strong Republican trends. In Connecticut, Illinois, Ohio, New York and Massachusetts the trend was particularly pronounced. The legislatures in those states will be friendly to business as a result."—An unidentified member of the Business Advisory Council.

How heartening it would be if either of the great parties could really be regarded as consistent keepers of American traditions!

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

A comparison of the Dec. 31, 1946, and 1955 break-down of assets of the fire-casualty insurance companies whose stocks are more actively traded brings out some interesting points. The accompanying tabulation distributes assets into principal categories.

The feature of this comparison that will at once engage one's attention is the substantial shift among most companies from both cash and United States Government obligations on the one hand, to common stocks. Only two of the 36 companies listed failed to show a greater proportionate holding of equities at the 1955 date than at the earlier year-end.

It is, of course, a logical move to go into equities during a sustained bull market; and the companies that made the greatest proportionate changes to equities are the ones that registered the greatest pro rata gains in portfolio valuations in the past two years. The two units referred to showed quite poor increases in portfolio valuation.

In the cases of fire units that either increased bond holdings or more-or-less maintained this position, it is probable that in the decade they expanded their premium writings into casualty lines, i.e., became multiple-line writers. Any fire company going into such casualty lines as compensation, automobile bodily injury, etc., would, of necessity, have to maintain a relatively liquid portfolio. This is because the companies writing the more hazardous casualty lines never know when a loss occurs how long the loss may run. If a worker is injured and is a compensation case, the insurance carrier may have to contribute for months, whereas when a fire loss occurs, the carrier may determine in a relatively brief time what its loss potential is going to be.

As, in recent years, there has been much crossing over into casualty lines by fire companies, and vice versa, this could influence portfolio changes considerably.

With improved yields on high grade bonds, there also has been a tendency on the part of some companies to maintain their bond positions on net; and a number of companies have tended to increase their holdings of tax-exempts. But for the most part, the trend toward equities has been noteworthy. Not only have they experienced portfolio enhancements, but they have bettered income and gotten into many so-called growth stocks, as insurance companies generally adhere to quality in their equity holdings.

There has been a quite noticeable reduction in holdings of preferred stocks. These being fixed income media, probably have given way to tax-exempts in some portfolios. The better yields on the latter have made them much more attractive because of the tax-exempt feature.

The question now remains whether the companies that shifted from governments and cash into common stocks will be alert to make the return trip. If not, a protracted bear market could very well bring about resort to convention valuations again.

Distribution of Assets, December 31

	Cash %	U.S. Gvt. Bonds %	Other Bonds %	Pfd. Stocks %	Com. Stocks %	Other Invest. %	Misc. Assets %	Market Adjust. %
Aetna Insurance								
1946	15.1	52.0	9.6	3.6	9.1	1.5	9.1	Nil
1955	4.4	35.0	31.5	0.4	19.1	1.5	9.7	—1.6
Agricultural Insur.								
1946	9.6	29.3	9.7	17.1	14.4	8.8	11.1	Nil
1955	5.0	22.5	27.7	5.5	26.5	4.8	8.0	Nil
American Insur.								
1946	11.2	30.0	1.9	17.1	24.8	5.1	9.9	Nil
1955	5.1	15.8	24.5	10.0	37.6	1.8	7.0	—1.8
Bankers & Shippers								
1946	9.9	52.0	0.5	4.5	25.0	--	8.1	Nil
1955	3.5	47.4	4.3	4.0	34.6	--	7.0	—0.8
Boston Insurance								
1946	10.9	34.6	7.1	11.7	26.9	2.0	6.8	Nil
1955	6.3	17.2	23.1	6.8	36.6	0.7	9.9	—0.6
Continental Insur.								
1946	6.0	24.1	15.1	11.1	37.0	0.8	5.9	Nil
1955	2.7	13.3	18.1	2.4	55.5	1.1	7.6	—0.7
Federal Insurance								
1946	12.1	43.0	4.1	10.6	27.3	--	2.9	Nil
1955	6.0	39.1	14.8	4.4	32.3	--	4.2	—0.8
Fidelity Phenix								
1946	5.5	21.4	12.1	10.9	43.1	0.9	6.1	Nil
1955	2.9	11.5	18.3	1.1	58.4	1.2	7.2	—0.6
Fire Association								
1946	8.5	26.9	3.2	21.7	26.5	3.6	9.6	Nil
1955	3.5	27.5	14.5	7.6	36.4	2.5	8.5	—0.5
Fireman's Fund								
1946	9.2	48.5	2.9	8.3	23.6	1.3	6.2	Nil
1955	3.8	45.1	16.2	0.1	23.9	0.7	10.5	—0.3
Firemen's Insur.								
1946	8.8	35.9	7.0	15.7	13.6	8.2	10.8	Nil
1955	3.9	26.4	13.8	13.8	32.2	1.7	9.6	—1.4
Glens Falls								
1946	7.4	54.8	5.8	10.1	11.6	3.4	6.9	Nil
1955	5.1	25.6	31.0	6.8	20.4	1.3	11.4	—1.6
Great American								
1946	10.4	22.0	7.7	16.6	35.2	0.1	8.0	Nil
1955	5.6	14.3	14.1	10.7	46.5	2.4	6.7	—0.3
Hanover Insurance								
1946	7.2	38.0	8.6	12.2	24.6	--	9.4	Nil
1955	3.7	26.8	16.6	8.2	32.1	--	14.0	—1.4
Hartford Fire								
1946	16.9	40.8	7.3	12.6	12.2	1.3	8.9	Nil
1955	5.0	33.0	19.4	11.6	23.3	0.8	8.2	—1.3
Home Insurance								
1946	17.9	24.5	4.1	8.6	35.0	2.1	7.8	Nil
1955	6.6	19.2	22.2	3.3	41.1	1.3	6.6	—0.3
Ins. Co. of No. Am.								
1946	8.9	20.9	4.4	22.0	35.3	2.0	6.5	Nil
1955	5.0	18.3	11.6	10.0	46.0	0.9	8.7	—0.5
National Fire								
1946	11.1	39.0	5.3	14.8	18.5	4.3	7.0	Nil
1955	4.2	35.6	19.7	7.7	24.8	1.5	7.5	—1.0
National Union								
1946	12.6	50.6	5.0	6.8	10.2	4.1	3.1	Nil
1955	8.3	14.4	30.9	3.8	31.7	0.8	11.5	—1.4
New Hampshire								
1946	10.6	33.3	13.9	5.3	25.8	1.3	0.9	Nil
1955	4.2	16.8	28.8	3.2	29.8	3.2	14.2	—0.2
Northern Insur.								
1946	12.8	33.3	0.2	14.4	31.1	--	8.2	Nil
1955	11.1	10.6	19.9	11.3	36.0	1.7	8.4	1.0
North River								
1946	14.1	40.5	3.7	6.8	29.4	0.1	5.4	Nil
1955	5.8	29.4	13.5	5.5	41.9	--	4.4	—0.5
Pacific Fire								
1946	8.7	44.5	0.8	3.2	34.3	1.1	7.4	Nil
1955	3.3	41.4	3.3	3.1	43.2	--	6.4	—0.7
Phoenix Insurance								
1946	9.4	34.2	6.9	16.5	24.5	0.6	7.9	Nil
1955	3.7	15.9	26.2	1.8	43.6	2.3	6.5	Nil
Providence-Wash.								
1946	9.4	39.0	2.3	11.6	25.6	1.2	10.9	Nil
1955	4.6	27.3	21.8	16.5	16.9	6.5	8.4	—2.0
St. Paul Fire								
1946	6.2	10.6	51.1	9.8	10.2	1.2	10.9	Nil
1955	4.1	3.3	55.1	1.0	25.7	1.7	9.2	—0.1
Security Insurance								
1946	12.2	43.7	5.7	6.6	16.7	4.3	10.8	Nil
1955	5.9	15.0	25.3	9.9	25.5	6.3	12.1	Nil
Springfield								
1946	7.6	39.0	7.4	12.8	21.3	1.5	10.4	Nil
1955	3.4	23.0	22.3	7.6	33.5	3.9	7.5	—1.2
U. S. Fire								
1946	16.5	41.5	4.8	5.0	25.1	0.1	7.0	Nil
1955	6.0	32.0	15.0	4.5	37.2	0.1	5.9	—0.7
Aetna Casualty								
1946	4.2	55.8	8.0	7.7	13.4	1.4	9.5	Nil
1955	3.7	7.6	52.0	5.4	22.3	0.5	8.5	Nil
American Surety								
1946	12.0	42.7	2.0	1.6	17.0	12.9	11.8	Nil
1955	7.0	45.5	14.4	1.5	14.0	7.8	11.4	—1.6
Continental Cas.								
1946	14.4	41.4	8.3	7.1	14.8	4.5	9.5	Nil
1955	8.1	20.1	33.8	2.6	26.4	4.1	5.7	—0.8
Fidelity & Deposit								
1946	12.8	63.7	1.2	4.2	6.5	6.6	5.0	Nil
1955	8.7	31.7	13.9	7.8	31.0	3.7	4.4	—1.2
Massachusetts Bdg.								
1946	9.2	41.6	3.5	12.0	16.2	7.2	10.3	Nil
1955	6.7	33.8	22.1	7.8	14.7	6.6	9.3	—1.0
Seaboard Surety								
1946	19.0	50.0	1.9	3.0	24.0	0.5	1.6	Nil
1955	18.5	25.2	16.2	5.0	33.3	--	1.9	—0.1
U. S. Fidel. & Gty.								
1946	11.0	52.6	2.3	5.4	15.9	2.3	10.5	Nil
1955	6.1	19.4	35.0	6.8	20.2	1.8	11.4	—0.7

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Howard C. Sheperd, Chairman of the Board of **First National City Bank of New York** and Andrew Wilson, Chairman of the Board of **County Trust Company of White Plains, N. Y.**, confirmed on Nov. 8 the report that application had been made to the **Federal Reserve Board** for permission to organize a holding company, which, subject to approval by shareholders of the respective institutions, would through exchange of shares acquire ownership of **The First National City Bank of New York**, its trust affiliate **City Bank Farmers Trust Company**, and **The County Trust Company**. Mr. Sheperd and Mr. Wilson joined in the following statement:

"The proposal is that the holding company will be called **First New York Corporation.** If the regulatory authorities and the shareholders approve, one share of First New York Corporation stock will be exchanged for one share of County Trust Company, and two and one-quarter shares of First New York for one share of First National City Bank. Each share of the latter inclues a beneficial interest in the shares of City Bank Farmers Trust Company. If approved by the Federal Reserve Board the plan will be submitted to the annual shareholders' meeting of First National City Bank on Jan. 8, and to a special meeting of County Trust Company shareholders about the same time. . . . Common ownership of the stock of our institution by a holding company will establish a community of interest and make possible a beneficial exchange of mangement ideas, methods, and experience. The holding company can provide specialized managerial talent — in such matters, for example, as investment management, investment-advisory and trust service, accounting, tax service, credit investigation and business development—at a low unit cost. With enlarged personnel resources and training programs, it can provide assurance of continuity of able management. It can facilitate raising necessary capital to support future growth.

"The association will benefit the people of Westchester County by providing County Trust with access to the varied banking and trust services supplied by First National City Bank at home and abroad, and by an increased ability to meet the growing banking needs of the county. At the same time it will leave the County Trust Company what it is today, a Westchester County institution operated by the same officers, directors and community advisory committees who are thoroughly acquainted with local conditions and requirements and who enjoy the confidence of their communities. It will not lessen competition in any respect.

"First National City Bank operates 75 domestic offices in New York City. County Trust Company operates 39 offices in Westchester County. The group to be formed by these proposals would have less than one-fifth of all commercial bank deposits in Westchester County and New York City and less than one-seventh of deposits of all banks including savings banks."

* * *

At a meeting of the stockholders of **The Chase Manhattan Bank of New York** held on Nov. 13 it was voted to increase the capital stock of the bank by 1,000,000 shares to 13,000,000 shares, as recommended by the board of directors. More than 80% of the shares outstanding it is indicated were voted in favor of the increase. Plans in the matter were noted in our Oct. 11 issue, page 1550.

A communication will be mailed to stockholders after the price of the new stock offering is set by the bank's board of directors at a meeting to be held Nov. 14. Included with this communication will be a stock warrant evidencing the right to subscribe to one new share for each 12 shares held.

In explaining the board's recommendation, John J. McCloy, Chairman of the board, stated that the directors believe that additional capital funds will serve the best interests of both the stockholders and the general public.

At the Nov. 13 meeting Mr. McCloy also informed the stockholders that contracts for the structural steel for the bank's new building project had been awarded and that the contract for the foundation work would be awarded during the next few weeks. He also referred to the fact that the New York City Board of Estimate had recently approved the plan to include a portion of Cedar Street in the project, "in return for which the bank will cede to the City strips of land on the four streets surrounding the project with a total area approximating the Cedar Street area. Constructing costs of the new building and plaza, which will occupy most of a two square block site bounded by Pine, Nassau, William and Liberty Streets, Mr. McCloy added, is presently estimated at $94,000,000. He said that in addition to the construction cost, $16,000,000 had been expended for land acquisition and development, and it is estimated that the cost of furnishings and special facilities would approximate $11,000,000. He pointed out that a substantial portion of the cost of the project will be offset by sales of properties, some already made, which have orginally housed the bank's head office activities.

It is planned to vest title to the new building in a wholly-owned subsidiary and Mr. McCloy announced that negotiations are under way with an institutional investor for the placement of a $60,000,000 first mortgage on the new bank building and plaza. It is estimated that the book value of banking houses and the bank's total investment in this real estate subsidiary will aggregate approximately $70,000,000 when the building project is completed.

* * *

The First National City Bank of New York opened on Nov. 12 its new **La Exposicion Branch in Panama City**, bringing to 70 the number of its overseas branches, offices and affiliates. The new branch is the second in Panama City and is the fourth along the route of the trade-vital Panama Canal on the Isthmus of Panama. The other branches are at Cristobal and Balboa in the Canal Zone.

* * *

Jervis J. Babb, Chairman of the Board of Lever Brothers Company, has been elected a Trustee of **The Bank of New York** at 48 Wall Street, New York it was announced on Nov. 14 by Albert C. Simmonds, Jr., President. Prior to joining Lever Brothers Company as President in 1950, Mr. Babb was Executive Vice-President of S. C. Johnson & Son, Inc., of Racine, Wis. Earlier he had been Vice-President and General Manager of Booth Fisheries Corp., Chicago. Mr. Babb's directorships, in addition to Lever Brothers Company, include Dry Dock Savings Bank of New York and Green Giant Co. of Le Sueur, Minn. He is also a trustee and Chairman of the Business-Education Committee, Committee for Economic Development; a member of the National Industrial Conference Board, and the American Management Association.

* * *

The election on Nov. 7 of William C. Bolenius and Clyde E. Weed as Directors and the reelection of Robert T. Stevens as


William C. Bolenius . Clyde E. Weed

Robert T. Stevens

a Director of **Guaranty Trust Company of New York** is announced by J. Luther Cleveland, Chairman of the Board. Mr. Bolenius is Vice-President for Finance, of American Telephone & Telegraph Co., which position he assumed in 1951 after having served three years as Vice-President, Personnel. His telephone career began with the New York Company in 1921. Mr. Stevens became President of J. P. Stevens & Co., Inc., in 1955 upon his return to the textile industry after serving as Secretary of the Army in the Eisenhower Administration. He had previously been with J. P. Stevens & Co. from 1921, serving as President from 1929 to 1942 and as Chairman from 1945 to 1953. Mr. Stevens was previously a Director of Guaranty Trust Company from 1944 to 1948 when he resigned to become Chairman and a Director of the **Federal Reserve Bank of New York**, a position he held until 1953. He is now a Trustee of the Mutual Life Insurance Co. of New York and a Director of General Electric Co. Mr. Weed is President of The Anaconda Company, with which he has been associated for 35 years. He is President and Director of a number of the companies associated with The Anaconda Company.

* * *

Guaranty Quarter Century Club, honorary organization of staff members of **Guaranty Trust Company of New York** who have served the bank for 25 years or more, held its annual reunion dinner on Nov. 7 at the Waldorf-Astoria, with 925 attending. The Club's present roster includes 1,483 active and retired members of the staff in New York and abroad. Overseas chapters are maintained in London, Paris, and Brussels. Herbert P. N. Cook presided at the dinner and was succeeded as President by William J. Sartor. Robert W. Stephens spoke for the new members inducted during 1956. Officials of the bank who are members of the Club include J. Luther Cleveland, Chairman of the Board; William L. Kleitz, President; Thomas P. Jerman and Dale E. Sharp, Executive Vice-Presidents, and directors George G. Allen, W. Palen Conway, Charles P. Cooper, Charles E. Dunlap, Cornelius F. Kelley, William C. Potter, George E. Roosevelt, and Eugene W. Stetson.

* * *

On Nov. 16 the main office of **The Bank for Savings**, 4th Ave. at 22nd St., **New York**, will celebrate the opening of a 21st St. entrance to the bank. The new entrance at 47 East 21st St., leads directly into the main banking room and is part of a 4-story addition that combines extra space for banking operations with a community garage. DeCoursey Fales, Chairman of the Board of the bank and President of the 23rd St. Association, states that "this new entrance not only facilitates saving for people south of the bank, but the main banking room gives time-saving access to the 23rd St. station of the Lexington-4th Ave. subway; the increased floor area gives the bank necessary operational space; and the community garage, with facilities for 200 cars, fills a definite need." On the opening day, Nov. 16, there will be music and free Orchids at the new entrance from 9:30 a.m. to 6 p.m. Anyone who opens a new savings account with $5 or more will receive a free Paper-Mate Pen. The celebration and Paper-Mate Pen offer will continue for two weeks, through Nov. 30.

* * *

A merger of the **Huntington Station Bank of Huntington, Long Island, N. Y.**, into the **Bank of Huntington & Trust Co.**, under the title of the **Bank of Huntington**, was approved by the New York State Superintendent of Banks at Albany on Oct. 29. The Banking Department also approved on Oct. 29 plans to increase the capital of the Bank of Huntington & Trust Co. from $500,000, consisting of 20,000 shares of the par value of $25 each, to $1,000,000, in 100,000 shares of the par value of $10 each.

* * *

Approval was given as of Oct. 17 by the State Superintendent of Banks to plans of the **Bank of Westbury Trust Company at Wesbury, L. I., N. Y.**, to increase its capital from $275,000, consisting of 11,000 shares, par value of $25 per share, to $350,000, consisting of 14,000 shares of the same par value.

* * *

Harold J. Marshall, President of **National Bank of Westchester of White Plains, N. Y.**, has announced the election of Henry P. Lawson as Auditor of the bank and Alfred D. Valentine as an Assistant Cashier. The action was taken by the board of directors at their regular monthly meeting on Nov. 8. Mr. Lawson succeeds George E. Schmitt, who was recently named Manager of the bank's Peoples office. Mr. Lawson is presently enrolled in the National Association of Bank Auditors and Comptrollers School for Bank Auditors and Comptrollers at the University of Wisconsin.

He has been associated with finance work since 1933, and was Auditor of the **Central National Bank of Yonkers, N. Y.**, prior to becoming associated with National Bank of Westchester in August of last year. He was also associated with the auditing departments of the County Bank & Trust Co. of Paterson, N. J., the North Side Savings Bank of the Bronx, and the Bronx Savings Bank.

Mr. Valentine has been Supervisor of the bank's bookkeeping office at Huguenot Street. For many years he was associated with the former New Rochelle Trust Company and was also connected as a Systems Supervisor with the National Cash Register Company.

* * *

The First National Bank of South Amboy, N. J., has leased large space in Sayre Woods Regional Shopping Center at Route 9 and Ernston Road in **Sayreville, N. J.**, for the institution's first branch office, it was announced jointly on Oct. 26 by Oliver W. Welsh, President of the bank, and Saul Cantor and Paul Goldman, builders of the 38-store retail development. This bank, one of Middlesex County's oldest banks, in business 68 years — will introduce in its shopping center branch the latest in customer convenience facilities. These include a Drive-in Window, a Walk-up Window open on the promenade frontage for quick service to shoppers; and an after-hours depository to accommodate individuals and business firms; in addition to the conventional interior facilities and executive offices. The new branch office is slated for completion in January, 1957.

* * *

The subscription books to the new issue of 55,000 shares of new stock of the **National Newark & Essex Banking Company of Newark, N. J.**, were closed on Oct. 24, at which time it was stated that 97.1% had been subscribed by the stockholders. The new stock, as indicated in our issue of Oct. 18, page 1646, was offered to shareholders of record Oct. 4 at $57 per share on the basis of one additional share for each six shares held. The "Newark News" reported on Oct. 25 that when the sale closed at 3 p.m., all but 1,582 shares of the offering had been sold. Any unsold shares, it was added, were being bought up by a syndicate of investment houses which underwrote the issue. In addition to our Oct. 18 item, an earlier reference to the offering appeared in our Sept. 20 issue, page 1190.

* * *

William E. Voget, an Administrative Assistant with the **National Newark & Essex Banking Company of Newark, N. J.**, died on Oct. 13. He had been in the service of the company for 38 years. it is stated that he was formerly Manager of the bank's analyses and interest department.

* * *

A proposed 5% stock dividend, its first in 10 years, according to the Newark "Evening News" of Oct. 30, was announced on that day by Terence J. McHugh, President of the **First National Bank of Montclair, N. J.** The advices in the paper indicated states that a special meeting of the bank's stockholders will be held on Nov. 27 to vote on the dividend, and if approved it will be paid in December to stockholders of record the day of the meeting. The "Newark News" added:

"There are 25,000 shares of $25 par value outstanding, Mr. McHugh said, so that the dividend will mean issuance of 1,250 more shares. The added shares will increase the bank's capitalization and make possible expanded services by the banking and trust departments, he said. The bank is adding new personnel and is undertaking alterations to provide more room for the trust department. Mr. McHugh also announced that the directors at their regular meeting next month would declare the regular quarterly dividend of 50 cents, also payable in December."

* * *

As of Oct. 26 the **National Bank of Westfield, N. J.**, enlarged its capital from $275,000 to $350,000 as a result of the sale of $75,000 of new stock.

* * *

A stock dividend of $50,000, effective Oct. 11, announced by the **Mechanics National Bank of Burlington, N. J.**, has increased the bank's capital from $200,000 to $250,000.

* * *

Under the charter and title of the **Peoples National Bank & Trust Company of Lynchburg, Va.**, capital $500,000 and the **Depositors Bank of Lynchburg**, with common stock of $100,000 were consolidated at the close of business Sept. 28. At the effective date of the consolidation the consolidated bank had capital stock of $500,000, in 29,000 shares of common stock, par $20 each; surplus of $720,000 and undivided profits of not less than $448,000.

* * *

At a special meeting on Nov. 5 shareholders of **The National City Bank of Cleveland**, approved a proposal to increase the capital stock by 100,000 shares which will result in the addition of $5 million to the bank's capital funds and bring the total of such funds to approximately $54 million. More than 88% of the 1,000,000 outstanding shares, it is stated, were represented at the meeting. Shareholders will be offered rights to subscribe for the new shares at $50 a share in the ratio of one share for each 10 shares held. Warrants to purchase the new shares will expire on Dec. 3. Sale of any unsubscribed shares will be handled through an underwriting group headed by Merrill, Turben & Co. of Cleveland. Sidney B. Congdon, President, stated that proceeds from the stock sale together with the transfer of $5 million from undivided profits to surplus as previously authorized by the board of directors will increase the bank's capital to $17,600,000 and its surplus to $32,400,000. In addition the bank will have undivided profits of some $4 million. Sept. 30 figures, it is said, showed the bank with more than $723 million in assets and $659 million in deposits.

* * *

The Northern Trust Company of Chicago, has announced that Wendell W. Snider, Jr., Assistant Cashier, will become one of the bank's representatives traveling the State of Wisconsin. Mr. Snider joined the staff of The Northern Trust Company in 1952. Since joining the bank, he has been a member of the credit department and of two divisions in the commercial and correspondent banking department.

* * *

As of Oct. 18 the **National Bank of Tulsa, Okla.** reports a capital of $5,000,000, the amount having been enlarged to that figure from $4,000,000 by a stock dividend of $1,000,000 effective Oct. 18.

* * *

The election of Joseph M. Luby as Assistant Vice-President of the **Commerce Trust Co. of Kansas City, Mo.**, was announced on Nov. 7 by James M. Kemper, Jr., President. Mr. Luby will serve as Manager of the bank's bond department, supervising the underwriting and distribution of municipal securities throughout the United States, and the purchase and sale of Government Bonds. Mr. Luby, who will assume his new duties on Nov. 19, comes to Commerce Trust from Barret, Fitch, North & Co., investment bankers, where for the past six years he has been Vice-President and Manager of their municipal bond department.

* * *

The First National Bank of Atlanta, Ga., which recently offered to its shareholders of record Sept. 25 $200,000 shares (par $10 per share) of capital stock at $35 per share at the rate of two new shares for each seven held, reports its new capital effective as of Oct. 19. Increased by the sale of $2,000,000 of new stock the capital is now $9,000,000 as compared with $7,000,000 previously.

* * *

A stock dividend of $100,000 and the sale of $200,000 of new stock have enabled the **First National Bank at Orlando, Fla.**, to increase its capital as of Oct. 16 from $1,200,000 to $1,500,000.

* * *

A capital of $1,100,000 is reported by the **Ouachita National Bank in Monroe, La.**, effective Oct. 17, the amount having been increased from $1,000,000 as a result of the sale of $100,000 of new stock.

* * *

The Kelly Field National Bank of San Antonio, Texas, is the title of a new bank for which a charter was issued on Oct. 11 by the U. S. Comptroller of the Currency at Washington, D. C. The bank has been formed with a capital and surplus of $300,000 each. In the primary organization B. B. McGimsey has been designated President and W. F. Holder as Cashier.

* * *

Edwin E. Adams, President of **The Bank of California, N. A.**, of **San Francisco** and W. W. Giddings, President of **Modesto Bank & Trust Co., at Modesto, Cal.**, announced on Oct. 30 that terms had been agreed upon for the merger of the two banks. Subject to the approval of supervisory authorities and ratification of the merger agreement by the shareholders of both banks, Modesto Bank & Trust Co., will become a part of The Bank of California in the near future. The Modesto Bank & Trust Co. operates two offices in Modesto and one in Riverbank. Total resources as of Sept. 30, 1956, amounted, it is stated, to approximately $16,000,000. The Bank of California as of that date reported total resources in excess of $557,000,000.

Consummation of the merger will result in The Bank of California having increased its offices from 5 to 13 in 11 Pacific Coast cities during the past two years. This expansion was accomplished by the acquisition of Bank of Martinez in 1954; The Bank of Berkeley in August, 1955, and The First National Bank of San Leandro in February of this year. New branches were also established in Oakland and in Millbrae. Other offices of the bank are located in Portland, Ore., and in Seattle and Tacoma, Wash.

* * *

A sub-branch of the **Thika office** of the **National Bank of India Limited** was opened at **Fort Hall, Kenya**, on Oct. 26. The sub-branch will be open for business on Tuesdays and Fridays. Announcement of this was made on Oct. 29 by the Bishopsgate office of the bank in London, E. C. 2.

Connecticut to Sell $54,000,000 Turnpike Bond Issue on Nov. 20

Connecticut State Treasurer John Ottaviano, Jr., on Nov. 9 announced that the State of Connecticut will offer at public sale on Nov. 20, $54,000,000 of its Expressway Revenue and Motor Fuel Tax Bonds maturing serially from 1962 to 1989, inclusive, and having an average maturity of 23¾ years.

The Treasurer had previously advertised $75,000,000 bonds having an average maturity of 29¼ years for sale on Oct. 30, but had canceled the earlier sale because of the position of the tax-exempt bond market.

The Treasurer said that the amount now to be offered will, together with present cash balances, cover Connecticut Turnpike estimated construction costs for the next five or six months.

The Treasurer's decision was reached following a conference which included the Commissioner of Finance and Control, other State financial officers and Lehman Brothers.

Samuel Franklin Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Laurence R. Blodgett, Frank H. Croushorn, Casper T. Gee, Bengt Norbeck, Lawrence B. Strieff, and Wayne D. Turner are now with Samuel B. Franklin & Co., 215 West Seventh Street.

Public Utility Securities

By OWEN ELY

Detroit Edison Company

Detroit Edison serves not only the City of Detroit, but also its environs, the total area approximating 7,600 square miles with a population of about 3,771,000. While this is the center of the automobile and parts manufacturing, it also features a wide diversification of other industries as well as farming. Residential and farm sales contribute about 38% of revenues, commercial 27%, industrial 31% and miscellaneous 4%. The industrial percentage is surprisingly low as compared with some other utilities in industrial centers; heavy industry contributes about two-thirds of industrial revenue, light industry one-third. Average residential use is moderately ahead of the U. S. figure.

This area is adjacent to the Great Lakes which provide an abundant supply of fresh water (the supply of which is critical in some other sections). Also, from a transportation viewpoint the Lakes will gain in importance with the approaching completion of the St. Lawrence Seaway. They provide low cost transportation for such raw materials as limestone, coal, iron ore and other metals; naturally, Detroit has become the metal-working center of the world. The region is also noted for excellent industrial management and technical know-how. Detroit area factory workers receive the best wages in the nation—about $5,100 compared with the U. S. Average of $4,100.

Michigan is showing excellent growth. In the seven-year period 1947-54 census figures showed that Michigan enjoyed a 68% gain in "values added by manufacturers," and a 30% gain in the number of manufacturing establishments. In the postwar period Detroit Edison's revenues have increased from $85 million to $233 million, a gain of 175%. In the 12 months ended Sept. 30, despite the fact that this has been somewhat of an "off-year" for the automotive industry, revenues increased 9%.

Detroit Edison is planning for substantial expansion. Generating capacity at present is about 2,811,000 kw., but at the end of next year this will be increased 20% to 3,391,000 kw., and by 1960 to an indicated 4,191,000 kw. Capital spending during the five-year period 1956-60 will approximate $450 million, with about one-third generated internally and two-thirds by sale of securities. In the previous five-year period $385 million was expended for construction.

The company in recent years has conducted an aggressive drive for increased efficiency, with good results as indicated below:

Year	Operating Ratio*	Return on Aver. Invest. Capital	Customers per Employee	BTUS per KWH
1952	63%	4.82%	114	12,190
1953	61	5.20	121	12,100
1954	58	5.24	126	11,340
1955	56	5.65	134	11,080
1956†	55	5.73	139	10,920‡

*Ratio of operating expenses (excluding depreciation and taxes) to revenues. †12 months ended Sept. 30, 1956. ‡Some new units will use less than 9,000 BTUs.

Employees are working on two programs to produce economies, which last year amounted to over $1 million compared with half that amount in 1954 and $200,000 in 1953; this favorable trend is expected to continue. Two interconnections with the Hydro-Electric Power Commission of Ontario have been beneficial, with power flowing each way as needed. This has helped the Canadians to supply needed power to Niagara Mohawk following the debacle at Niagara Falls.

Detroit Edison's capital structure is simple—with no preferred stock and an equity ratio well above average. The company has for some years followed a policy of issuing convertible debentures, of which $59 million were sold in September this year; management feels that this is a very desirable method of financing, from a number of angles.

Net income should gain about 10% this year but due to an increase of about 15% in the number of shares, earnings may lag a little below last year's $2.43 per share. An unfavorable current factor is the increase of about 62c a ton in the price of coal (delivered) and an estimated further increase of 30c next year. However, these increases will be largely offset by operating economies, and about 60% of the higher fuel cost will also be recovered from industrial and commercial customers taking power on contracts. Only about 160,000 additional shares could be added in 1957 as a result of possible conversion of the 3% and 3¼% convertible debenture issues, and not more than half this amount is actually expected, so that the dilution of earnings would be negligible. Accordingly, common stock earnings are expected to improve.

President Cisler takes pride in the fact that, despite Detroit's being the center of the cyclical automotive business, Detroit Edison has proved to be one of the best "defensive" stocks. During four market slumps (1948-9, 1953, 1955 and currently) Detroit Edison has resisted the decline more than the average utility—in fact in 1953 it advanced 7% while all other utilities declined 7%. Another interesting point is that part of the dividend is "tax-free." At the recent price around 35¼, paying $1.80, the stock yields 5.1% and sells at about 15.5 times recent earnings of $2.28.

Bell & Farrell Add

(Special to THE FINANCIAL CHRONICLE)

LA CROSSE, Wis.—Ray Highberg is now affiliated with Bell & Farrell, Inc., Exchange Building.

Joins Fin. Investors

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Hartley E. Chastain is now connected with Financial Investors Incorporated, 1716 Broadway.

Charles P. Henry Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Ernest O. Pedeprade has become affiliated with Charles P. Henry, 1179 Market Street.

E. W. Hendrickson Opens

GLENVIEW, Ill.—Earl W. Hendrickson is engaging in a securities business from offices at 1129 Prairie Street.

Continued from page 5

Commercial Finance's Contribution To Higher Business Growth Level

only get it by business planning, by the initiative and action of private enterprises, by the cooperation of management and labor in the solution of the practical problems of growth. And most of all we will only get it if all the individual enterprises that compose the economy are able to put their present operations on a sound, efficient and profitable basis and are able to prepare without excessive speculative risks to maintain and perhaps improve their positions in the years ahead.

The large companies are doing this, by and large. Some small companies are doing it, too. But many of them must join the ranks if the current forward movement is not to peter out as another cold war boom, if it is to carry our people up to a new plateau of higher living standards and greater satisfactions.

Smaller Businesses Face Special Credit and Capital Problems

The outstanding immediate problem that the American economy faces is that of converting the present investment boom into a balanced, forward moment in which all types of businesses, small, medium and large, take part; one in which there is a steady and stable growth of earnings; wages and profits as well as output.

The commercial finance industry, by itself, cannot solve that problem. But it can play a decisive role in its solution. Its flexible and varied activities can go a long way toward meeting the capital needs of small and medium-sized business.

At the present rate of expansion, Gross National Product for 1957 could amount to something on the order of $420 billion in 1956. It could; but I do not say it will. I do not share the belief that another year of high production and employment will follow this year's record levels automatically.

Our prosperity will only continue if business, labor and government adopt policies that will make for further sound growth.

The Current Boom Has Sources of Strength and Weakness

Structural changes in income, employment and production introduced during the second world war are still going on. Our economy, primarily as a result of these changes but also as a result of democratic reforms adopted over a long period, is becoming a very different one from that of the Twenties and earlier. It is this that accounts for the continuing peak demand for goods and services.

Based as it is on business investment, the current boom cannot be immediately halted. Its momentum is too great.

The government economists who forecast a continuing high level of business activity next year, at least for the first half, are simply applying to the next two quarters the effects of actual capital expenditures in the recent ones. But what management and the investor must know is the probable level of activity in the year as a whole. And on this the forecasters are less certain.

There are favorable and unfavorable portents. The automobile industry should enjoy its second biggest passenger car year. The housing boom, however, is likely to limp along unless its situation is eased, even though we have not completed the rehousing of our people. Public works spending is taking up a substantial part of the slack but by no means all of it.

Federal Reserve policy is already curbing business investment. But it faces a critical problem of timing. Certainly well-timed policy could stretch out the investment boom. With suitable amendments it could correct some of the inequities of the present policy, which denies credit and capital to some businesses in a position to undertake sound expansion and does not effectively choke off some of the speculative excesses at which it is aimed.

The new trend of growth confronts us, as any new development must, with challenging problems. Not all efforts at diversification can be expected to prove successful. Not all absorptions prove to be digestible. Not all increases in output are associated with sustained profit margins. Any great surge in new capital investment is inevitably accompanied by imbalance, overinvestment in certain lines.

Lags Still Occur

The great volume of new investment should not obscure from us the fact that there are lags, not only in the smaller companies of all industries, but in particular industries, such as the resource industries. The forces operating, such as the pressures of the market, are predominantly irregular and haphazard. We have been concentrating on moderating our growth. But the real problem is to achieve neatly balanced growth.

The war and cold war price levels, and the cold war dislocation of cost relationships, are being built into land and common stock values. Thus the economy still is vulnerable to crisis if costs press upon prices. Fortunately these price-cost relationships are not being built into too many product price levels. Where they have been, expansion has been unwise.

We may well question if there has not been too great a reliance on higher interest rates to choke off that speculative expansion. Are all speculators deterred by rises in rates? In the last analysis, there is only one sure way to deter those who would add to the normal risks of business the chances taken only by the gambler.

The speculative element in business expansion decisions can be checked by selection among loans by lenders. Until we make the monetary authorities see this, we cannot expect current policies to be wholly effectual.

It is not the level but the worthiness of the borrowings that is important. The level can rise with disposable output if the cost-price ratio continues favorable. But even a lower level of borrowings is dangerous if their soundness deteriorates.

To maintain the worth of business borrowings, we are obliged to rely on the vigilance of the financial institutions of the country. Certainly, thus far, they have merited the confidence that is placed in them.

The Consumer Has Proved an Excellent Credit Manager

The other aspect of the credit problem, that of consumer instalment credit, is currently being studied in great detail by the Federal Reserve Board and the National Bureau of Economic Research. Without anticipating their findings, I must confess that I find it difficult to share fully the current disquiet over the level of instalment debt.

Our comparisons of levels are made without allowance for inflation or for current levels of employment and income. We forget that never before in our history have we had so large a working force, such high employment within the average family, such sustained annual employment or such high average income levels.

On the problem of the quality of instalment credit, one of the specialists in the subject, Sidney Rolfe, reported a study recently. He found that in the great depression, instalment loans suffered less loss than any other type of credit outstanding.

Aggregate losses on some $941 million of auto debt outstanding in 1929 amounted to less than 1%. In contrast, other types of defaults and losses were running as high as 50% and in few cases less than 10%. Of course, this makes no allowance for the rise in the cost of collection.

Very low delinquency and loss figures were found to prevail through depression, prosperity, war and peace. Mr. Rolfe concluded, "there seems at present little reason to doubt that this state of affairs is still so." He declared that the consumer has proved an excellent credit manager. Our experience in this field supports Mr. Rolfe's conclusions.

The Growing Need for Investment Capital Requires More Saving

We shall know more about the consumer credit picture when the studies now being made are concluded. But there are aspects of it that need not wait upon those studies. This year, as I was preparing this talk, I again visited Washington to exchange ideas and information with economic advisers of the administration.

I found in Washington a disposition to take a realistic view of the level of credit, provided savings increased proportionately to it. This strikes me as a reasonable consideration; the new gains in real income should be reflected in part in the growth of liquid assets within the family. Moreover, this is needed not only for stability in family finances but also in the investment capital market.

I do not think any sector of the financial industry needs to be convinced that it should be a major task of economic policy in the period just ahead to expand savings. We are too well aware of the new capital needs of our clients.

It is well known to economists that those in the upper income brackets save at a rate which is so high it cannot be increased. But at today's levels of personal and family income, there is a virgin field of potential savers in the lower income brackets. A small increase in the rate of saving by the lower income brackets would produce a vast volume of savings for new capital investment.

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A $100 exemption would give a working man in the lowest income bracket, the 20% bracket, a bonus of over $1 for every $200 he saved in a savings account or any other form of investment that helped to meet the need for new capital. It would give that working man a bonus of $20 for every thousand dollars he saved.

Legitimate Credit Needs Must Be Anticipated

Our makers of economic policy need to anticipate the legitimate demands for credit and capital and to adopt money and tax policies, such as a savings incentive tax policy, to assure that the money will be there when it is needed.

The commercial finance industry did anticipate the needs of its customers. Because it did, it was able to serve its clients even at a time when the credit market was considered "tight." Consider our record in the period from the Korean War to the present day.

A survey made by William J. Drake, Executive Vice-President of the National Commercial Finance Conference, shows that representative companies in the commercial finance industry doubled their capital resources in the last six years. Then, in the past year, they went into the capital market and borrowed on long-term obligations another 15 to 20% more. Why?

They did not obtain the additional funds to meet yesterday's or today's requirements. They prepared for the future. Their action, not without risk, represented very thorough investigation of the potentialities and the problems of the economy and careful planning for the next period of growth in our business and the enterprises it serves.

It was only this type of planning, in the years before the Korean War, that enabled our industry in recent years to absorb credit demands that other financial institutions expect us to handle.

It cannot be said that the framers of our present credit restriction policy have been equally foresighted. I do not say that in criticism of credit restriction. The Federal Reserve and Treasury policies designed in alternating periods to restrict and to expand the use of credit and capital are, of course, needed to avoid depression.

We need control over credit. But we do not need and should not have blunderbuss controls. We need selective controls, administered by the financial industry. Our present controls can be made selective by granting suitable exemptions where warranted.

Capital Needs of Small Business Should Be Met

Small business needs more than a fair shake in the money market. We have to give recognition in our tax policy to the fact that internal financing is the basis of all small business expansion. To expand, small business needs earnings it can plow back.

There is a very practical way by which we can start small business growing. It is a way that in a few years would return greater tax revenues from somewhat larger and much more stable business profits and from a long-run expansion in jobs and wage incomes.

We would have to make two adjustments in the tax on corporate income to adapt it to present needs. The first would be to increase the first bracket of corporate income, subject to the lowest rate of taxation, from $25,000 to $50,000. The second would be to reduce the tax rate on this first bracket of corporate income from 30 to 20%.

These types of relief from inequities in the money, credit and tax policies of the country for low income individual and corporate revenue producers would not weaken but would strengthen those policies. On that account they should command the support of labor as well as business, and of large companies as well as small.

They would provide substantial incentive to the employee and the small enterprise to save and invest, at a time when their participation in the saving-investment process would benefit the whole economy.

Small Business Aid Proposals

Small businesses have many other needs, such as tax aids in the purchase of used property. Such tax aids are given only for the purchase of new property, which creates an inequity. Many such proposals are included in the "Progress Report of the Cabinet Committee on Small Business," issued last Aug. 7. Some of these proposals have been before Congress for several years. It is time they got action.

Probably no section of the financial industry is as close to these problems as our industry is. And these do not exhaust the list. There is a growing awareness in the managements of the larger businesses that some of the difficulties that have confronted small business this year might have been avoided it its interests had been more adequately represented in the councils of the Federal Reserve System.

It is time that the commercial finance industry help in any way it can to assist in framing a money and credit policy adapted to the situation of small businesses as well as the larger ones. We are in an unusual position to aid in the formulation of policy modifications that will not only meet the broad needs of the country but also of those sections of the business community that have been placed at a disadvantage by credit restriction.

The problems that we face in the year ahead are serious ones. Like the neat problems of timing credit relaxation. Or like the difficult problem of timing tax relief. But these problems, like our counter-depression policy, have built-in consolidations. We would not have them if we had not been overwhelmingly successful in our efforts to raise the living standards of all our people and to build a democratic society in which every class and race and faith has ever-expanding opportunities for making the most of its God-given capacities.

Continued from page 3

Bond Bear Market Soon Ending And Interest Rate Outlook

liberately been held in check but the Federal Reserve can in time be counted on to supply the money without which an adequate level of activity cannot be maintained in a growing economy.

(5) The rise already experienced in interest rates and bond yields has brought the structure of money rates into a far better balanced relationship with the overall supply and demand for funds than has been the case for many years.

(6) The structure of money rates and bond yields is now high enough to provide adequate incentives for savings so that slowly but surely the shortage of savings will be alleviated. Individuals and families, having moved to a new high in their possession of the economic amenities of life, can now emphasize the building of their financial security through increased personal savings and are given an incentive to do so by the more attractive rates of return available on such savings. Corporations will probably depend increasingly on internally generated funds now that money costs and terms are more onerous and their debts in many cases are far higher than for many years past.

(7) We have in the past few years laid the foundations for great new financial mechanisms capable of increasing the rate of savings very substantially indeed. Reference is made to the mutual investment funds, to the pension funds and to the Federal and Savings Loan Associations. These organizations have grown at an accelerated rate. In the years ahead, they will generate tens of billions of new savings to provide the funds needed by our growing economy. Their future impact on supply - demand relationships in our money markets has been grossly underestimated by many observers.

(8) While the rise in money rates during the past year and a half has naturally produced much talk about "too tight money," "where the money is coming from to support progress and prosperity," and the "unavailability of funds for many borrowers," it must be recorded that our financial apparatus has, in fact, generated more new funds this year than ever before in our history—which is a hopeful augury for the future.

(9) Money is not now tight enough to cause a near-term recession of business. However, if it gets much tighter than it is now, it could hardly help but result in a lower level of economic activity and, therefore, a reduced demand for credit. Paradoxically it would appear to be true that if money gets much tighter, it will then inevitably get much easier.

(10) The vast expenditures for plant and equipment during the postwar years, plus those contemplated for the year ahead, may well confront many industries with a situation where a leveling out or a pause in the expansion of capacity seems to be prudent or necessary. Any such development will, of course, reduce the demand for funds.

(11) Despite fears to the contrary, our banks will, over the years ahead, be able to supply considerable additional amounts of loan funds without impairment of their capital ratios. Higher interest rates will permit the banks to generate internally quite large amounts of new capital funds so that loans can be increased without impairing their capital—deposit and capital — risk assets ratios.

(12) With the international situation having reached a stage of dangerous and uncertain condition, the outlook would seem to be for more war or more peace than we have had for some time past. If the threat of war increases, the whole structure of government and Federal Reserve pressures will, of course, be toward easier money with the application of non-monetary controls. On the other hand, if the present crisis results in a significant easing of international tensions, then some of the demand pressures in our money markets will probably be reduced.

Interest Rate Outlook

To sum up, the best working assumption as to the outlook for interest rates would appear to be:

(1) That the short and long term money markets are now or will in the next few months reach the high point of the long rise in interest rates and bond yields which began in 1946.

(2) That the demand and supply situation as to money will, over the next few years, be such that interest rates and bond yields will remain far above levels of the days of easy money but moderately below the current position, and with the broad trend gently downward, and,

(3) That the future will bring quite wide short range fluctuations in money rates and bond yields. On the one hand, it is clear that at the first sign of a real recession in business, the Federal Reserve authorities will reduce reserve requirements so as to ease the bank reserve position vigorously. On the other hand, it is no less clear that during phases of business recovery and boom the Federal Reserve authorities will adopt severely restrictive policies to prevent wage inflation from degenerating into the sort og boom which could only end in a bust.

Summary

And, now may I conclude with a word concerning the implication of what I have said as to the economic outlook. We are in the midst of a great technological revolution capable of lifting our levels of productivity, production and consumption to fantastic new highs in the decade ahead which can be, should be, and, in my opinion, will be a truly great era of economic growth. The two domestic threats to that achievement are inflation and/or inadequacy of savings. The picture of the outlook for money which has been drawn here is one which would support an extremely optimistic view of our ability to avoid a disastrous inflation—induced boom and bust cycle and to generate enough funds to finance soundly and safely a truly spectacular period of economic progress.

Securities Salesman's Corner

By JOHN DUTTON

Put First Things First

There are some people who will not clarify their objectives when it comes to the matter of investing. Many people do not understand the importance of setting up a plan of investment. They go along for years, such as the case I am going to relate to you this week, and it is only after they have put themselves into hot water that they wake up to the fact that they don't know where they are going investmentwise.

This story is not unique, it is typical of the way some investors get themselves snarled up through the lack of a sound method of procedure. Several years ago Mr. A reached the age when he thought he would take life easier. He was in his early fifties and with his available savings, he started out to acquire an income from what he believed was a good way to do it—buy some stocks and sell them at a profit. With a modest amount of experience gained over the years through buying a few common stocks for investment, he hied himself to a large stock exchange member firm and made his desires known to a customer's representative. He didn't explain the limit of his resources or his objectives. He just said he wanted to buy some stocks and make some money. He wanted some good "buys" as the saying goes.

Mr. A read some financial reports, looked over the statistical manuals and listened to the gossip around the board room. He bought small blocks of stocks hoping for a profit. Sometimes he made the profit and other times not. He bought and sold. He borrowed on his account and gradually increased his debit balance. Then after a few unfortunate trades he tried another firm and another customer's representative. There he got himself up to the chin in commodities. He tried coffee, eggs and the grains. Usually he bought at the higher price and sold at a loss.

Finally, he decided his customer's representative wasn't a commodity trader and neither was he. Meanwhile, his stock list was not appreciating in value, although the long bull market continued to register repeated new highs in the industrial averages. And worse still he was now holding some sizable blocks of stocks that had depreciated considerably and were not producing much if any income. Interest rates on his debit advanced and the cost of carrying his account was now becoming more burdensome. So what happened? Mr. A changed brokerage firms again.

What This Man Needs

Quite frankly what Mr. A needs is to find someone in whom he can place confidence. He needs firm and understanding guidance. He has had some severe lessons and all because no investment man has told him the facts of life. Today he holds some highly speculative securities that should be liquidated. His account should be analyzed in the light of what is best for him. He should first be sold on the idea that he must face reality. With insufficient funds on which to retire (if he invested with income as his main objective) his problem is not an easy one to solve. But it is not too serious if he takes hold of his situation and faces it sensibly. If he continues to try and "trade" without the know-how and sufficient capital to do this, he is certain to end up eventually with the loss of the major portion of his presently available capital. The situation then for a man at his age in life would be serious indeed.

Obviously Mr. A is emotionally the sort of person who also needs activity. He switches and changes investments and he must be on the go. Temperamentally one of the things he must do is to find some type of activity that can use up some of his surplus restlessness and although he is over 50 there could be some work that he could do if he looked for it.

Meanwhile, he should set up an investment program based upon good securities that will pay him an income and that can grow over the years. He should pay off his debit balance and get square with himself. And this is what was recommended to Mr. A over a year ago. After some hesitation he took this advice. He hasn't made but one change in his investment account since this new approach to a better way of living and investing was initiated. Besides, he has found a five-day a week job that augments his income from his good securities, and he is staying away from debit balances, commodities, and board room gossip. Sometimes you can help someone to do a better job of living, as well as with their investments, with a little sound advice.

But people have to be ready to accept sound counsel too — it seems to be so evident that most of us must get our fingers burned before we are ready to keep them away from a hot stove!

Two With J. Logan

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert Barnett and Sidney R. Gordon have been added to the staff of J. Logan & Co., 2115 Beverly Boulevard.

Public Utility Securities

By OWEN ELY

Detroit Edison Company

Detroit Edison serves not only the City of Detroit, but also its environs, the total area approximating 7,600 square miles with a population of about 3,771,000. While this is the center of the automobile and parts manufacturing, it also features a wide diversification of other industries as well as farming. Residential and farm sales contribute about 38% of revenues, commercial 27%, industrial 31% and miscellaneous 4%. The industrial percentage is surprisingly low as compared with some other utilities in industrial centers; heavy industry contributes about two-thirds of industrial revenue, light industry one-third. Average residential use is moderately ahead of the U. S. figure.

This area is adjacent to the Great Lakes which provide an abundant supply of fresh water (the supply of which is critical in some other sections). Also, from a transportation viewpoint the Lakes will gain in importance with the approaching completion of the St. Lawrence Seaway. They provide low cost transportation for such raw materials as limestone, coal, iron ore and other metals; naturally, Detroit has become the metal-working center of the world. The region is also noted for excellent industrial management and technical know-how. Detroit area factory workers receive the best wages in the nation—about $5,100 compared with the U. S. Average of $4,100.

Michigan is showing excellent growth. In the seven-year period 1947-54 census figures showed that Michigan enjoyed a 68% gain in "values added by manufacturers," and a 30% gain in the number of manufacturing establishments. In the postwar period Detroit Edison's revenues have increased from $85 million to $233 million, a gain of 175%. In the 12 months ended Sept. 30, despite the fact that this has been somewhat of an "off-year" for the automotive industry, revenues increased 9%.

Detroit Edison is planning for substantial expansion. Generating capacity at present is about 2,811,000 kw., but at the end of next year this will be increased 20% to 3,391,000 kw., and by 1960 to an indicated 4,191,000 kw. Capital spending during the five-year period 1956-60 will approximate $450 million, with about one-third generated internally and two-thirds by sale of securities. In the previous five-year period $385 million was expended for construction.

The company in recent years has conducted an aggressive drive for increased efficiency, with good results as indicated below:

Year	Operating Ratio*	Return on Aver. Invest. Capital	Customers per Employee	BTUS per KWH
1952	63%	4.82%	114	12,190
1953	61	5.20	121	12,100
1954	58	5.24	126	11,340
1955	56	5.65	134	11,080
1956†	55	5.73	139	10,920‡

*Ratio of operating expenses (excluding depreciation and taxes) to revenues. †12 months ended Sept. 30, 1956. ‡Some new units will use less than 9,000 BTUs.

Employees are working on two programs to produce economies, which last year amounted to over $1 million compared with half that amount in 1954 and $200,000 in 1953; this favorable trend is expected to continue. Two interconnections with the Hydro-Electric Power Commission of Ontario have been beneficial, with power flowing each way as needed. This has helped the Canadians to supply needed power to Niagara Mohawk following the debacle at Niagara Falls.

Detroit Edison's capital structure is simple—with no preferred stock and an equity ratio well above average. The company has for some years followed a policy of issuing convertible debentures, of which $59 million were sold in September this year; management feels that this is a very desirable method of financing, from a number of angles.

Net income should gain about 10% this year but due to an increase of about 15% in the number of shares, earnings may lag a little below last year's $2.43 per share. An unfavorable current factor is the increase of about 62c a ton in the price of coal (delivered) and an estimated further increase of 30c next year. However, these increases will be largely offset by operating economies, and about 60% of the higher fuel cost will also be recovered from industrial and commercial customers taking power on contracts. Only about 160,000 additional shares could be added in 1957 as a result of possible conversion of the 3% and 3¼% convertible debenture issues, and not more than half this amount is actually expected, so that the dilution of earnings would be negligible. Accordingly, common stock earnings are expected to improve.

President Cisler takes pride in the fact that, despite Detroit's being the center of the cyclical automotive business, Detroit Edison has proved to be one of the best "defensive" stocks. During four market slumps (1948-9, 1953, 1955 and currently) Detroit Edison has resisted the decline more than the average utility—in fact in 1953 it advanced 7% while all other utilities declined 7%. Another interesting point is that part of the dividend is "tax-free." At the recent price around 35¼, paying $1.80, the stock yields 5.1% and sells at about 15.5 times recent earnings of $2.28.

Bell & Farrell Add

(Special to THE FINANCIAL CHRONICLE)

LA CROSSE, Wis.—Ray Highberg is now affiliated with Bell & Farrell, Inc., Exchange Building.

Joins Fin. Investors

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Hartley E. Chastain is now connected with Financial Investors Incorporated, 1716 Broadway.

Charles P. Henry Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Ernest O. Pedeprade has become affiliated with Charles P. Henry, 1179 Market Street.

E. W. Hendrickson Opens

GLENVIEW, Ill.—Earl W. Hendrickson is engaging in a securities business from offices at 1129 Prairie Street.

Continued from page 5

Commercial Finance's Contribution To Higher Business Growth Level

only get it by business planning, by the initiative and action of private enterprises, by the cooperation of management and labor in the solution of the practical problems of growth. And most of all we will only get it if all the individual enterprises that compose the economy are able to put their present operations on a sound, efficient and profitable basis and are able to prepare without excessive speculative risks to maintain and perhaps improve their positions in the years ahead.

The large companies are doing this, by and large. Some small companies are doing it, too. But many of them must join the ranks if the current forward movement is not to peter out as another cold war boom, if it is to carry our people up to a new plateau of higher living standards and greater satisfactions.

Smaller Businesses Face Special Credit and Capital Problems

The outstanding immediate problem that the American economy faces is that of converting the present investment boom into a balanced, forward moment in which all types of businesses, small, medium and large, take part; one in which there is a steady and stable growth of earnings; wages and profits as well as output.

The commercial finance industry, by itself, cannot solve that problem. But it can play a decisive role in its solution. Its flexible and varied activities can go a long way toward meeting the capital needs of small and medium-sized business.

At the present rate of expansion, Gross National Product for 1957 could amount to something on the order of $420 billion in 1956. It could; but I do not say it will. I do not share the belief that another year of high production and employment will follow this year's record levels automatically.

Our prosperity will only continue if business, labor and government adopt policies that will make for further sound growth.

The Current Boom Has Sources of Strength and Weakness

Structural changes in income, employment and production introduced during the second world war are still going on. Our economy, primarily as a result of these changes but also as a result of democratic reforms adopted over a long period, is becoming a very different one from that of the Twenties and earlier. It is this that accounts for the continuing peak demand for goods and services.

Based as it is on business investment, the current boom cannot be immediately halted. Its momentum is too great.

The government economists who forecast a continuing high level of business activity next year, at least for the first half, are simply applying to the next two quarters the effects of actual capital expenditures in the recent ones. But what management and the investor must know is the probable level of activity in the year as a whole. And on this the forecasters are less certain.

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It is well known to economists that those in the upper income brackets save at a rate which is so high it cannot be increased. But at today's levels of personal and family income, there is a virgin field of potential savers in the lower income brackets. A small increase in the rate of saving by the lower income brackets would produce a vast volume of savings for new capital investment.

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Our makers of economic policy need to anticipate the legitimate demands for credit and capital and to adopt money and tax policies, such as a savings incentive tax policy, to assure that the money will be there when it is needed.

The commercial finance industry did anticipate the needs of its customers. Because it did, it was able to serve its clients even at a time when the credit market was considered "tight." Consider our record in the period from the Korean War to the present day.

A survey made by William J. Drake, Executive Vice-President of the National Commercial Finance Conference, shows that representative companies in the commercial finance industry doubled their capital resources in the last six years. Then, in the past year, they went into the capital market and borrowed on long-term obligations another 15 to 20% more. Why?

They did not obtain the additional funds to meet yesterday's or today's requirements. They prepared for the future. Their action, not without risk, represented very thorough investigation of the potentialities and the problems of the economy and careful planning for the next period of growth in our business and the enterprises it serves.

It was only this type of planning, in the years before the Korean War, that enabled our industry in recent years to absorb credit demands that other financial institutions expect us to handle.

It cannot be said that the framers of our present credit restriction policy have been equally foresighted. I do not say that in criticism of credit restriction. The Federal Reserve and Treasury policies designed in alternating periods to restrict and to expand the use of credit and capital are, of course, needed to avoid depression.

We need control over credit. But we do not need and should not have blunderbuss controls. We need selective controls, administered by the financial industry. Our present controls can be made selective by granting suitable exemptions where warranted.

Capital Needs of Small Business Should Be Met

Small business needs more than a fair shake in the money market. We have to give recognition in our tax policy to the fact that internal financing is the basis of all small business expansion. To expand, small business needs earnings it can plow back.

There is a very practical way by which we can start small business growing. It is a way that in a few years would return greater tax revenues from somewhat larger and much more stable business profits and from a long-run expansion in jobs and wage incomes.

We would have to make two adjustments in the tax on corporate income to adapt it to present needs. The first would be to increase the first bracket of corporate income, subject to the lowest rate of taxation, from $25,000 to $50,000. The second would be to reduce the tax rate on this first bracket of corporate income from 30 to 20%.

These types of relief from inequities in the money, credit and tax policies of the country for low income individual and corporate revenue producers would not weaken but would strengthen those policies. On that account they should command the support of labor as well as business, and of large companies as well as small.

They would provide substantial incentive to the employee and the small enterprise to save and invest, at a time when their participation in the saving-investment process would benefit the whole economy.

Small Business Aid Proposals

Small businesses have many other needs, such as tax aids in the purchase of used property. Such tax aids are given only for the purchase of new property, which creates an inequity. Many such proposals are included in the "Progress Report of the Cabinet Committee on Small Business," issued last Aug. 7. Some of these proposals have been before Congress for several years. It is time they got action.

Probably no section of the financial industry is as close to these problems as our industry is. And these do not exhaust the list. There is a growing awareness in the managements of the larger businesses that some of the difficulties that have confronted small business this year might have been avoided if its interests had been more adequately represented in the councils of the Federal Reserve System.

It is time that the commercial finance industry help in any way it can to assist in framing a money and credit policy adapted to the situation of small businesses as well as the larger ones. We are in an unsual position to aid in the formulation of policy modifications that will not only meet the broad needs of the country but also of those sections of the business community that have been placed at a disadvantage by credit restriction.

The problems that we face in the year ahead are serious ones. Like the neat problems of timing credit relaxation. Or like the difficult problem of timing tax relief. But these problems, like our counter-depression policy, have built-in consolidations. We would not have them if we had not been overwhelmingly successful in our efforts to raise the living standards of all our people and to build a democratic society in which every class and race and faith has ever-expanding opportunities for making the most of its God-given capacities.

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Bond Bear Market Soon Ending And Interest Rate Outlook

liberately been held in check but the Federal Reserve can in time be counted on to supply the money without which an adequate level of activity cannot be maintained in a growing economy.

(5) The rise already experienced in interest rates and bond yields has brought the structure of money rates into a far better balanced relationship with the overall supply and demand for funds than has been the case for many years.

(6) The structure of money rates and bond yields is now high enough to provide adequate incentives for savings so that slowly but surely the shortage of savings will be alleviated. Individuals and families, having moved to a new high in their possession of the economic amenities of life, can now emphasize the building of their financial security through increased personal savings and are given an incentive to do so by the more attractive rates of return available on such savings. Corporations will probably depend increasingly on internally generated funds now that money costs and terms are more onerous and their debts in many cases are far higher than for many years past.

(7) We have in the past few years laid the foundations for great new financial mechanisms capable of increasing the rate of savings very substantially indeed. Reference is made to the mutual investment funds, to the pension funds and to the Federal and Savings Loan Associations. These organizations have grown at an accelerated rate. In the years ahead, they will generate tens of billions of new savings to provide the funds needed by our growing economy. Their future impact on supply - demand relationships in our money markets has been grossly underestimated by many observers.

(8) While the rise in money rates during the past year and a half has naturally produced much talk about "too tight money," "where the money is coming from to support progress and prosperity," and the "unavailability of funds for many borrowers," it must be recorded that our financial apparatus has, in fact, generated more new funds this year than ever before in our history—which is a hopeful augury for the future.

(9) Money is not now tight enough to cause a near-term recession of business. However, if it gets much tighter than it is now, it could hardly help but result in a lower level of economic activity and, therefore, a reduced demand for credit. Paradoxically it would appear to be true that if money gets much tighter, it will then inevitably get much easier.

(10) The vast expenditures for plant and equipment during the postwar years, plus those contemplated for the year ahead, may well confront many industries with a situation where a leveling out or a pause in the expansion of capacity seems to be prudent or necessary. Any such development will, of course, reduce the demand for funds.

(11) Despite fears to the contrary, our banks will, over the years ahead, be able to supply considerable additional amounts of loan funds without impairment of their capital ratios. Higher interest rates will permit the banks to generate internally quite large amounts of new capital funds so that loans can be increased without impairing their capital—deposit and capital — risk assets ratios.

(12) With the international situation having reached a stage of dangerous and uncertain condition, the outlook would seem to be for more war or more peace than we have had for some time past. If the threat of war increases, the whole structure of government and Federal Reserve pressures will, of course, be toward easier money with the application of non-monetary controls. On the other hand, if the present crisis results in a significant easing of international tensions, then some of the demand pressures in our money markets will probably be reduced.

Interest Rate Outlook

To sum up, the best working assumption as to the outlook for interest rates would appear to be:

(1) That the short and long term money markets are now or will in the next few months reach the high point of the long rise in interest rates and bond yields which began in 1946.

(2) That the demand and supply situation as to money will, over the next few years, be such that interest rates and bond yields will remain far above levels of the days of easy money but moderately below the current position, and with the broad trend gently downward, and,

(3) That the future will bring quite wide short range fluctuations in money rates and bond yields. On the one hand, it is clear that at the first sign of a real recession in business, the Federal Reserve authorities will reduce reserve requirements so as to ease the bank reserve position vigorously. On the other hand, it is no less clear that during phases of business recovery and boom the Federal Reserve authorities will adopt severely restrictive policies to prevent wage inflation from degenerating into the sort og boom which could only end in a bust.

Summary

And, now may I conclude with a word concerning the implication of what I have said as to the economic outlook. We are in the midst of a great technological revolution capable of lifting our levels of productivity, production and consumption to fantastic new highs in the decade ahead which can be, should be, and, in my opinion, will be a truly great era of economic growth. The two domestic threats to that achievement are inflation and/or inadequacy of savings. The picture of the outlook for money which has been drawn here is one which would support an extremely optimistic view of our ability to avoid a disastrous inflation—induced boom and bust cycle and to generate enough funds to finance soundly and safely a truly spectacular period of economic progress.

Securities Salesman's Corner

By JOHN DUTTON

Put First Things First

There are some people who will not clarify their objectives when it comes to the matter of investing. Many people do not understand the importance of setting up a plan of investment. They go along for years, such as the case I am going to relate to you this week, and it is only after they have put themselves into hot water that they wake up to the fact that they don't know where they are going investmentwise.

This story is not unique, it is typical of the way some investors get themselves snarled up through the lack of a sound method of procedure. Several years ago Mr. A reached the age when he thought he would take life easier. He was in his early fifties and with his available savings, he started out to acquire an income from what he believed was a good way to do it—buy some stocks and sell them at a profit. With a modest amount of experience gained over the years through buying a few common stocks for investment, he hied himself to a large stock exchange member firm and made his desires known to a customer's representative. He didn't explain the limit of his resources or his objectives. He just said he wanted to buy some stocks and make some money. He wanted some good "buys" as the saying goes.

Mr. A read some financial reports, looked over the statistical manuals and listened to the gossip around the board room. He bought small blocks of stocks hoping for a profit. Sometimes he made the profit and other times not. He bought and sold. He borrowed on his account and gradually increased his debit balance. Then after a few unfortunate trades he tried another firm and another customer's representative. There he got himself up to the chin in commodities. He tried coffee, eggs and the grains. Usually he bought at the higher price and sold at a loss.

Finally, he decided his customer's representative wasn't a commodity trader and neither was he. Meanwhile, his stock list was not appreciating in value, although the long bull market continued to register repeated new highs in the industrial averages. And worse still he was now holding some sizable blocks of stocks that had depreciated considerably and were not producing much if any income. Interest rates on his debit advanced and the cost of carrying his account was now becoming more burdensome. So what happened? Mr. A changed brokerage firms again.

What This Man Needs

Quite frankly what Mr. A needs is to find someone in whom he can place confidence. He needs firm and understanding guidance. He has had some severe lessons and all because no investment man has told him the facts of life. Today he holds some highly speculative securities that should be liquidated. His account should be analyzed in the light of what is best for him. He should first be sold on the idea that he must face reality. With insufficient funds on which to retire (if he invested with income as his main objective) his problem is not an easy one to solve. But it is not too serious if he takes hold of his situation and faces it sensibly. If he continues to try and "trade" without the know-how and sufficient capital to do this, he is certain to end up eventually with the loss of the major portion of his presently available capital. The situation then for a man at his age in life would be serious indeed.

Obviously Mr. A is emotionally the sort of person who also needs activity. He switches and changes investments and he must be on the go. Temperamentally one of the things he must do is to find some type of activity that can use up some of his surplus restlessness and although he is over 50 there could be some work that he could do if he looked for it.

Meanwhile, he should set up an investment program based upon good securities that will pay him an income and that can grow over the years. He should pay off his debit balance and get square with himself. And this is what was recommended to Mr. A over a year ago. After some hesitation he took this advice. He hasn't made but one change in his investment account since this new approach to a better way of living and investing was initiated. Besides, he has found a five-day a week job that augments his income from his good securities, and he is staying away from debit balances, commodities, and board room gossip. Sometimes you can help someone to do a better job of living, as well as with their investments, with a little sound advice.

But people have to be ready to accept sound counsel too — it seems to be so evident that most of us must get our fingers burned before we are ready to keep them away from a hot stove!

Two With J. Logan

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert Barnett and Sidney R. Gordon have been added to the staff of J. Logan & Co., 2115 Beverly Boulevard.

Continued from first page

As We See It

more years may not have the practical consequences which it would otherwise have. It is true that during the past year a number of differences arose between the President and the Democratic members of the House and Senate. At times relations appeared on the surface at least to be rather strained. But of course most of this was but preparation for the then approaching election campaigns. More often than not the differences were not fundamental, and on more than one occasion were to all appearances artificially created for the purpose of making campaign issues. What is more, these differences were not greater than those which often separated the President and many of the members of his own party in the Senate and the House.

Could Cooperate

We suspect, for example, that any bill on educational aid and the like drafted by the more responsible members of the Democratic party would differ in no really vital or significant way from a measure designed for the same purpose by the President's own advisers and supporters in his own party in Congress. But for the fact that politics has made rigid parity support for farm products a sort of Democratic shibboleth, and similar political maneuvering has branded the "soil bank" idea Republican, it would in all likelihood be not too difficult for the President and the leaders of his party to sit down with the members of the Democratic party and draft an agricultural relief measure acceptable to both of these political groups.

Road construction, too, has become a sort of political football during the past year or two. The President's program had and still has serious defects. It gave the opposition an excellent opportunity for criticism mostly of a negative or destructive sort, but, politics aside, there is good reason to doubt whether it would not have been quite possible for the President and Democratic leadership to agree rather quickly upon a road building program that would meet the approval of both parties. There has, of course, been a great hue and cry about the Republican party being the party of big business and the Democratic party being the friend of the "little fellow," but it may well be questioned whether the matter is taken very seriously except in political oratory. The issue is hardly more than a phony, and most of those who make use of it are well aware of the fact.

There are, of course, elements in the Democratic party with views and programs far removed from those of the President. Some of them are far to the left, as the expression goes, and others rather too far in the other direction for the President's taste. So it is though also with members of the President's own party. Not only that, but in some matters which are neither leftist nor rightist, and important matters, too, there are members of the Republican party who strongly, even violently, disagree with the President and his program. On the other hand, there is a large center band in both parties which find themselves very much in agreement with the President's programs and ideas for the management of the public affairs of the country. It may be questioned whether this is more true of one than of the other of the two parties.

Problems Political

It is thus seen that partisan political problems are very nearly the only difficulties of very serious import which the President and the Democratic party will encounter during the next two years. Now two years must elapse before another election time rolls around. It ought to be possible for the groups with very similar social and economic philosophies to find ways and means of working together effectively. The President has a well earned reputation for being able to work with people of diverse personalities and prejudices. He can scarcely have further political ambitions, and that fact is well known to all. Expensive and trying strife and deadlocks really ought not to be in the cards as a result of the election outcome.

The real trouble is that both the President and those most disposed to follow him want so often to do the wrong things or to avoid doing the things that are so sorely needed. How much more heartening it would be were it possible to say that the President and groups in both of the parties inclined to follow his lead were determined, for example, to turn away from New Deal and the Fair Deal nonsense and bring back to the country the kind of government which permitted us to become the envy of the world! What cheering news it would be to hear that the program being planned for next year included, for example, a thorough rewriting of the tax laws to eliminate the excessively "progressive" nature of existing statutes, thus permitting the industrious and ingenious to keep at least a reasonable portion of the extraordinary income their hard work and their talents brought them!

What wonderful news it would be if presently it proved that the President had made up his mind to do all within his power to reduce the spending of the Federal Government, and do so even at the expense of that long list of hangers-on who now draw largesse from the Federal Treasury! And how it would help to learn that substantial blocks of both parties had reached a determination to stand with the President in this matter to the limit! We could continue down the list of things that need to be done, but why do so? All thoughtful men and women know well enough what such a list would contain.

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Fresh Look at Construction: The Building Prospect Ahead

over? The answer pretty definitely is that homebuilding has reached a new "normal" level around one million new starts per year which seems likely to persist over the coming year and quite probably during the remainder of the decade. This compares with a level of new starts of 1,100,000 in 1956 and 1,300,000 in 1955.

As already suggested, somewhat easier credit conditions are to be expected for political reasons alone whenever new housing starts sag much below an annual rate of one million units. Short of considerable political stimulus, however, the rate over the year ahead is unlikely to rise much above the one million level, either. Experience shows that whenever the homebuilding industry experiences an important decline such as during the past year it takes considerable time for builders and others to reorganize to build a much larger number of units. Continued heavy demands for funds generally will keep government-guaranteed and other mortgages at a competitive disadvantage in attracting money for investment. It should be kept in mind, however, that amortization and interest payments on all outstanding home mortgages are already providing a huge pool of funds for potential reinvestment in new homes. At present mortgage repayments are running at an annual rate of roughly $15 billion, or essentially the volume required to build one million new housing units, should these funds be used entirely for these purposes.

In short, the peak of the postwar boom is new homebuilding now seems pretty clearly to have been passed, but a relatively high level of activity, measured by all but the top postwar years' experience, still lies in prospect.

How Much Significance Should be Attached to Repair and Modernization Work in Appraising Homebuilding Trends and Prospects?

The answer to this question is very clear—repair and modernization has a great deal of significance for the future of homebuilding industry.

Most homebuilding discussions concentrate almost entirely on new homes. To follow this practice is to tell a very incomplete story. No one really knows the precise size of the "fix-up" market, but everywhere there is evidence that it is huge. As a personal opinion, I would say that for every dollar now being spent for new homebuilding there is nearly another dollar being spent to improve existing residences. In our company, sales of building materials including flooring products for "fix-up" work are currently estimated to be larger than for new homebuilding use. Reports from other building materials companies similarly reveal the tremendous importance of the repair and modernization market.

Quite understandably you may ask—why is this market so large? There are several important reasons:

(1) The nation's total housing stock includes about 50 older homes for every new one built this year. Maintenance plus the growing importance of style obsolescence point to a growing need to fix up these older dwellings.

(2) Millions of families now are finding it easier on financial grounds alone to obtain more living space by ading on or modernizing their present homes than by buying new houses. Also, some families are buying larger older homes with the expresed purpose of fixing them up to accommodate growing families.

(3) The extension to the do-it-yourself trend from hobbyists to the general public definitely has widened the market for building materials. The overwhelming evidence is that do-it-yourself movement is now permanently rooted in the homebuilding field. The heads of younger families and those in or approaching retirement age seem to be the most active repair and modernization enthusiasts. Most of the do-it-yourself work is financed on a cash basis, so it is less directly affected by tight money conditions.

Stronger Repair Market

The outlook is for continued growth in repair and modernization activity during 1957 and for a considerable time thereafter. Not only will the factors just previously mentioned be important in supporting this market, but several others will give added strength:

(1) Tight money conditions and the general inability of more families to finance new homes will cause them to make new plans and expenditures to improve their present homes.

(2) The nationwide programs of ACTION (American Council to Improve Our Neighborhoods) and OHI (Operation Home Improvement) will draw substantial public attention to the need to keep homes and communities in good repair to prevent the spread of slums and allied undesirable living conditions.

(3) The recently liberalized terms of FHA Title I covering home repair and modernization loans will enable projects up to $3,500 to be financed over a period of five years in contrast to previous limits of $2,500 and a three year maturity. While the funds still have to come from private banking and related channels, the interest return is more attractive than on regular mortgages and at times has some added appeal because of the personal customer relationships involved.

The expansion in "fix-up" work should go a long way toward offsetting the further expected decline in new homebuilding during the coming year. This will be particularly true to the extent that local building organizations offer the public a reasonable repair and modernization "package" with assurances of satisfactory financing and performance. To date such a "package" has not been regularly available. In fact, few builders have shown real interest in repair and modernization work. With the decline in new homebuilding, however, it is to be expected that "fix-up" activity will become more attractive to more builders in 1957 and bring about new expansion in this important building market.

How Much Longer Will the Boom in Commercial, Educational, and Other Non-Residential Building Last?

Generally speaking, there is still enormous strength in the non-residential building field. A new record level will be set in 1957 at least slightly ahead of the current year. A crest in commercial building, especially among shopping centers, office buildings, and related structures, however, is likely to become evident within 12 to 18 months. By that time, much of the "catching up" in commercial building caused by unfavorable depression, war, and postwar conditions will have been accomplished.

The need for additional educational structures continues to be acute in most areas. While the grammar school space problem is far from solved, the newest classroom pinch is beginning to occur in junior high and senior high schools as the "war babies" reach their teens. Tight money is discouraging some educational building projects, but the need is so great that further moderate increases in school building are definitely in sight for 1957.

Manufacturing plants are currently being built in record numbers, and this rising trend is expected to persist well through next year. American industry will bring into production more new industrial capacity during the coming year than in any comparable period in history. Some scattered cutbacks in industrial capacity plans, however, are now being reported. Understandably, some managements seem increasingly concerned that the output from these new substantial additions to capacity be sold before undertaking further major expansions. This is not to say that any imminent decline in industrial building is in prospect, but further increases from current record levels during the coming year probably will be small.

In short, the outlook for non-residential building next year continues to be bright with a slightly (5%) larger volume expected than in 1956.

What Important Changes in Building Can Now Be Foreseen Which Investors and Others Should Watch?

At this point, let me summarize the evidence that the building industry is entering a transition period: Shortages are rapidly disappearing; repair and modernization work is moving up steadily, but also is competing with new homebuilding: non - residential building continues to expand moderately but residential building has receded to a more "normal" level. Another good — yes, another record—year for over-all building is in prospect for 1957. But the coming year, and several more ahead will witness important changes which should be taken into account in appraising the building industry outlook.

The principal reason for expecting far-reaching changes is that a new "era" of *selling* is getting underway following the prolonged "era" of shortages. Moreover, it seems fairly certain that much easier credit will not be readily available to cover any further substantial increases in the cost of building. Hence, the building industry faces a fundamental challenge to find and introduce new ways of giving the public still better values.

Much, of course, already has been accomplished during the past decade in bringing new products and greater efficiency into building. Extensive research efforts are underway across the industry, particularly among the largest materials manufacturers. Numerous business organizations, recognizing the promising growth prospects in building, are organizing to enter or step up their activity in this field.

Different Housing Needed

It seems a fairly safe bet that the house and other buildings of "tomorrow" will be strikingly different from most of those being built today. **First,** to an increasing extent structures will be built or assembled from complex fabricated "components" rather than by the use of a myraid of small pieces of materials erected on the job-site. Prefabrication will make steady gains, but substantial progress and acceptance await new designs and materials which will afford important savings other than the differential between the cost of factory and on-site labor.

Second, style, comfort, and easy maintenance will assume still greater importance. Model changes, virtually absent during the period of housing shortage, will be made frequently, along lines now well established in the automobile and other industries. As a result, obsolescence will have a progressively greater impact upon existing housing values and equities than ever before.

Third, numerous financing bottlenecks will gradually be eliminated. More flexible interest rates on guaranteed mortgages may well find official approval. The open-end mortgage will gain much wider acceptance and make possible the financing of home improvements to keep many more dwellings up-to-date. The flow of investment funds into mortgages will be expedited by more effective means of assembling mortgages and converting them into more attractive investment securities. The trade-in house idea will get increasing attention and make an important contribution to the owners' present problem of disposing of one home while buying another.

Fourth, repair and modernization will be generally recognized by builders as offering a large profit potential. The needs of the fix-up market will be met by a more satisfactory local "package" program which the consumer can buy with confidence.

Many more developments on the horizon could be mentioned, but these will serve to indicate the broad scope of impending changes in the building industry over the years just ahead. It probably should be added that vast changes also will take place in the points of view of many people in all branches of this industry—including manufacturers, distributors, contractors, laborers, union leaders, code officials, and finance specialists. For, the social and economic pressures for change are mounting so vigorously in this industry that more and more changes are certain to come. It should be noted, for example, that suburbanization has been responsible for a major breakthrough in many previous building restrictions.

But, don't misunderstand what I am saying. I'm *not* predicting an upheaval in the building industry just ahead. Things just don't happen that fast, particularly in an industry which is as far-flung as building. What I am saying is that changes are inescapable and that they can be expected to occur more rapidly during the next few years than ever before because a new "era" of selling and merchandising is underway.

For investors, all this simply means that building continues to offer great promise in 1957 and in the years beyond. But, like almost every other industry these days, the most promising prospects must be found on a selective basis. Obviously, the greatest growth in sales and profits will come to those companies which have profit-minded managements; flexible policies to meet changes; extensive research programs to foster changes in products, processes, and erection methods; reasonable balance between residential and non-residential building and also between new and repair and modernization work; strong distribution channels for existing products and effective means of selling building "components" in semi-manufactured homes; and the ability to establish and maintain a reputation for quality, value and service.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The election results had practically no effect on the Government market, which continues to be a very quiet affair. The competition from higher yielding non-Government securities is keeping Treasuries on the defensive, with new lows being made from time to time. The confused international situation does not appear to be an important factor yet in this market.

The new money raising operation of the Treasury, through the medium of special 91-day bills, was in line with expectations. The impending refunding of the Dec. 1 maturity of 2⅝% certificates is a factor in the money market, but it seems as though the financial area is pretty well prepared for the securities and terms that will be offered to the owners of this issue. On the other hand, there is considerable concern among money market specialists as to what will be done about the discount rate in the coming weeks.

Treasury Forced to Borrow on Short-Term Basis

The Treasury, because of the tight money conditions, decided to offer another batch of 91-day bills in its new money raising operation. The $1,750,000,000 of new cash which the Government raised through the sale, according to estimates, should meet the over-all money requirements for the current fiscal year ending June 30, 1957. This short-term issue is the second one put on the market by the Treasury for new money purposes since last month, when $1,600,000,000 was borrowed through 91-day bills at an average interest rate of 2.627%. This new money financing brings to about $6,500,000,000 the new cash which the Government has raised since last July.

The low rate of 2.617% which the current offering of special 91-day Treasury bills brought was made possible because these securities, like the October offering, were made payable through the crediting of the Treasury Tax and Loan Account in the commercial banks. (Regular Treasury bills last week went at 2.979%.) This procedure postpones the actual payment until the time when the Treasury calls for the money.

Possible Terms on December Refunding

The next operation by the Treasury will be the refunding of slightly more than $9 billion of 2⅝% certificates which mature on Dec. 1. Money market specialists are still of the opinion that a two-way offering will be made to the holders of the maturing certificates. About two-thirds of these certificates are owned by the Federal Reserve Banks and it seems to be the thinking of not a few in the financial district that the Central Banks will go along with a one-year obligation.

There is talk that a 3¼% or 3⅜% certificate would not be unexpected as far as one of the issues in the package is concerned. Along with a one-year maturity would probably come a shorter one, may be a tax anticipation issue due about June 22, 1957, which would appeal to the owners of a substantial balance of the 2⅝% certificates. It is believed that corporations, large holders of the maturing certificates, would not be interested in an issue that would run longer than June 1957, the tax period. A June maturity might cost 3⅛%.

Increase in Discount Rate Conjectured

Although the new money needs of the Treasury have been taken care of by means of short-term borrowings, there is more than a passing amount of comment in the money market as to whether or not the discount rate will be raised by the powers that be before the refinancing of the Dec. 1 maturity of certificates is undertaken. If this should be the case, the Treasury will have to put a higher coupon rate on its refunding issues than is currently being talked about.

Tax Switches Difficult

There is evidence of an increase in the amount of tax switches which are being made, although it is not an easy thing to do because of the thinness of the market and the lack of buying interest in Government obligations. Switches continue to be made, according to reports, pretty much in a similar maturity range, even though there are instances reported in which maturities are being shortened.

There are also indications that state pension funds have been taking on not too large amounts of the longest Government bonds and it is believed that they will continue to be buyers on weakness in these securities. There are also opinions in the money market that Government agency accounts might be in the picture between now and the end of the year.

Limited Interest in Treasury Liens

Switches are also being made out of Government obligations into selected issues of corporate and tax-exempt securities by private trust accounts. The better yields which are available in non-Government securities is still a very important reason for the rather limited interest in Treasury bonds.

The Next Four Years

By ROGER W. BABSON

Well-known business analyst discusses: "phoney" money banks and insurance companies receive and pay out; N. Y. Stock Exchange's campaign urging savings be put into stocks; and dependence of stock's price upon earnings. Mr. Babson opines that President Eisenhower will not prevent mass of honest people from suffering from inflation; dividends will be cut; and U. S. A. must increase taxes.

Roger W. Babson

Now is the time to read the dangerous promises of all of last week's successful candidates. These promises make more inflation inevitable, due to the Employment Act of 1946. This was a vicious act. Ray D. Murphy, Chairman of the Board of the Equitable Life Assurance Society, has an excellent article in the "Commercial and Financial Chronicle" of Oct. 11 demanding that this Act be amended. I, however, cannot imagine President Eisenhower and the new Congress making such amendments until it is too late.

What This Means to Readers

Until then, those who now receive pensions, life insurance, social benefits for the aged, and social security can be severely hurt. Not only large investors will suffer. Already our own Government Bonds (the 2½s) have declined from 106 to 91.

The banks and insurance companies need not suffer. They receive deposits and premiums in "phoney" money, but they will pay out with "phoney" money. Wages will increase, but most banks and insurance companies are adopting automation to get on with fewer employees. Certain real estate and some commodities, such as natural resources, may for a while benefit from inflation. But the great mass of honest people will ultimately suffer and President Eisenhower will not prevent it.

The Cost of Living

Readers should be interested only in what their wages, pensions, social security, and bank deposits and insurance will buy. We should forget all about dollars and think only of what can be purchased in terms of food, rent, clothing, education, entertainment, etc. I definitely forecast that the cost of living will gradually increase during the next four years of the Republican Administration.

The promise of new highways, slum clearance, and other worthy projects will all cost more than expected. When you go under a new steel bridge on one of these new highways, remember that from 1946, when the Employment Act became law, to the present time, the price of steel has just about doubled. Certainly the automobile industry and most of the increase in all plant capacity depend on steel. Steel and related industries employ 80% of our mass production workers.

Interesting Statistics

The expenditures which can depend on government money will continue, but expenditures for products bought on installments may suffer. Here are some more figures to think over! Since 1939 the Government debt has increased from $40 billion to $275 billion resulting in an increase in the money supply from $33 billion to $213 billion and private debt has risen from $125 billion to around $350 billion.

The great surprise to economists is that the cost of living has not gone up more during this period. The main reason is the new inventions and installation of new machinery reducing the need for hand labor. Inventors — not government or bank officials—deserve thanks that the cost of living is no higher than it is today. Nevertheless, I forecast that automation, including electronics and nuclear power, will become great industries. All readers will be greatly interested in George R. Harrison's books, "What Man May Be" and "Atoms in Action."

What About Stocks?

The N. Y. Stock Exchange for the first time in history is urging that savings be put into stocks now instead of into savings banks, life insurance, and other such standard investments. Only the future can tell whether this advice is good. For the past ten years the prices of stocks have been advancing, but how long will this continue? For every person who now buys stocks some other person, equally wise, must be selling these same stocks. What would happen if all persons should decide now to sell instead of to buy?

Finally, let me remind readers that the cost of plant, book value, and various other statistics do not determine the value of a stock or the price which you receive when you want the cash. Ultimately, the price of a stock depends upon the earnings. Inflation increases costs for corporations as well as for individuals and governments. President Eisenhower's re-election cannot prevent dividends from being cut. Reduced dividends mean that the U. S. must increase taxes.

Blyth Opens Branch

PALO ALTO, Calif.—The opening of a Blyth & Co., Inc., office in the Town and Country Village, was announced by Charles R. Blyth, President of the nationwide investment banking and securities underwriting firm. "The new Palo Alto office," Mr. Blyth said, "becomes our 23rd office in the United States and, together with our office in San Jose, which was established in 1943, will enable us to better serve the Peninsula area which is growing into one of the most important investment markets in Northern California."

Mr. Blyth also announced the appointment of Bruce E. Van Alstyne and Samuel C. Register, as sales representative in Palo Alto. Both men were formerly associated with the San Jose Office of Blyth & Co., Inc.

Ronald D. Kelly Opens

(Special to THE FINANCIAL CHRONICLE)

MONTEREY PARK, Calif. — Ronald D. Kelly has opened offices at 337 East Floral Drive to engage in a securities business.

Hornblower Weeks Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Richard J. Gough has become connected with Hornblower & Weeks, 134 South La Salle Street.

Two With Palmer, Pollacchi

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Vincent J. Balkam and Oliver J. Howe, Jr. are now associated with Palmer, Pollacchi & Co., 84 State Street.

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Providing Necessary Funds For State-Local Projects

to pay for the improvement and the levy of taxes to provide for the payment of the principal and interest thereon.

If the charter of the municipality or the state statute so provides, the judge of a local court is then petitioned to order an election. Properly qualified registered voters approve or reject the issue at such election.

After a proper interval (around 30 days to allow for objections on the part of disgruntled taxpayers), the bonds are advertised for sale, preferably in some prominent financial paper such as "The Daily Bond Buyer," published in New York City. Investment houses and other interested investors are invited to submit sealed bids for the purchase of the issue. In some instances, the bonds are sold at private or negotiated sale, but the generally approved procedure is competitive bidding at public sale.

Bidders usually are given the privilege of naming the lowest interest rate which they deem acceptable in the market at the time the bonds are offered for sale. The issue is awarded to the bidder offering to buy the bonds at the lowest interest cost to the municipality. The physical bonds then are printed and, in a period of approximately three weeks, are delivered and paid for.

Throughout the above steps, all of the legal details must be approved by competent attorneys, specializing in municipal law.

Where does the investment banker fit into the purchase and sale of municipal bonds? It is he who alone or jointly with other investment bankers submits bids for the bond issues when they are sold by the various municipalities.

The investment banker risks his own capital in the transaction and supplements that capital with loans from commercial banks in order to provide the funds to pay the municipality for the issue and to finance any portion of the bonds left on his hands after the initial offering to the public.

The buying department of the investment banking house appraises the credit before bids are submitted and the firm enters a bid carrying the lowest possible interest rate commensurate with market conditions prevailing at that time. After the bonds have been awarded to the successful bidder, the issue then is turned over to the selling department of the investment banking house and offered to investors throughout the nation.

Another important function of the investment banker is the buying and selling of portions of the issue in what is known as the secondary market. These blocks of bonds, which were purchased by investors in the initial distribution, later were liquidated to provide funds for other purposes.

Thus it is the investment banker who has access to and marshals the pools of available investment funds and, through the purchase and sale of municipal bonds, places these funds in the hands of state and local governments for needed capital improvements.

Investment bankers frequently are retained by municipalities in the capacity of financial advisers and consultants prior to the sale of an issue of bonds. Many others offer financial assistance to their local community as a matter of civic service.

The rate of interest which must be paid on municipal bonds is determined primarily by the cost of money in general. This, in turn, depends upon the age-old law of supply and demand in the money markets, which reflects the availability of savings balanced against the demands of borrowers of all types. At the present time, money is extremely "tight," which means that the demands of corporations, municipalities and individuals for lendable funds has exceeded the current reservoir of savings.

The second factor affecting interest rates is the credit of the issuing locality itself. This involves capacity to pay, which is measured by the value of the taxable property located within the municipality as compared with the indebtedness which must be paid off through taxes levied upon the property of its citizens.

Coupled with capacity must be what is termed in banking circles as "willingness" to pay, which is something entirely apart from "capacity" to pay. During the great depression of 1930-33 many municipalities with a limited capacity but with a strong determination and willingness met their obligations without default. To command the best interest rates, a state or local government must have a record free from default, and even a few months' delay in the payment of one interest coupon often can blight an otherwise good record for years to come.

Legality is the cornerstone of municipal credit, and no investor ever should purchase a municipal bond without the protection of an accompanying opinion covering its legality issued by a firm of competent attorneys.

The length of an issue also influences interest rates. Although the present interest curve is distorted by the acute shortage of lendable funds, the investor demands a higher rate of interest for lending his money for a long period of time than for a short period. Municipal bonds usually are issued in serial form (repayable in annual installments). Most issues run from one to 20 years with the first installment payable at the end of one year and annually thereafter until the last bond is paid off 20 years after date of issue. Some extend the term of payment 25 to 30 years and a few as long as 40 to 50 years.

Municipalities which borrow too frequently or too much will find their interest costs soaring. A city or county which can borrow at 3% in the current market when it owes, say, $2,000,000, undoubtedly will find the rate between 3½% and 4% should it attempt to increase its indebtedness to $20,000,000. This illustration presumes no sizeable increase in the taxable value of the property within the municipality. Such inflated borrowing is termed straining community resources and is frowned upon in conservative circles.

Bonds of municipalities which have issues outstanding in excess of $600,000 are rated by statistical organizations such as Moody's Investors Service, of New York City, and those with $1,000,000 or more bonds outstanding are also rated by Standard & Poor's, of New York. Bonds rated "AAA" carry the lowest interest costs and those of lesser quality, higher.

Let us summarize Chapter IV: Bonds are sold for capital improvements of a permanent nature. After proper council or school board action, elections are held and the citizens must vote approval of the issue. The bonds are sold at public sale under sealed bid at the lowest interest cost which the purchasers deem consistent with the market. Investment bankers bid for the bonds, risking their own capital. They resell these bonds to the public and maintain secondary markets. Investment bankers also serve as financial advisers to state and local governments. Interest rates are determined by the cost of money in general, the credit of the issuing locality, the length of the issue, and the borrowing habits of the issuer.

Chapter V
Who Buys Municipal Bonds And Why?

At the end of 1955, state and local debt outstanding totaled $44,267,000,000 as contrasted with $24,191,000,000 at the end of 1950, and only $15,736,000,000 on June 30, 1946. Prior to World War II, outstanding municipal debt was about $20,000,000,000. Thus, outstanding debt is more than double that of the mid-1940's.

A part of this increase represents the depreciation in the purchasing power of the dollar, but the major portion of it represents borrowing because of the urgent needs of state and local governments to provide their citizens with the facilities and services mentioned earlier.

The volume of new issues of municipal bonds has increased nearly six-fold over that of 1940, a typical pre-war year. In the year 1954, $6,969,000,000 par value were sold and in 1955 $5,959,000,000. In 1940, the figure was $1,238,000,000.

It is interesting but rather meaningless to look back to 1843 when the debts of all the states totaled $232,000,000 and the political subdivisions of those states had debts of only $28,000,000. Believe it or not, at that time the Federal Government had a debt of $20,000,000. This figure contrasts with today's $278,000,000,000.

Table I illustrates the growth of state and local debt outstanding during the period 1950-55.

The chief purchasers of state and municipal bonds are banks, individuals with reasonably large incomes, trust funds, corporations, insurance companies and pension funds (See Table II). These buyers have found that municipal bonds offer safety (second only to United States Government Bonds), marketability and tax exemption.

It well may be asked why the obligations of state and local governments are exempt from all present Federal income taxes. This evolves from what is known as the doctrine of reciprocal immunity whereby the various states of these United States cannot tax the property and obligations of the Federal Government nor can the Federal Government tax the obligations and property of the various states. It must be remembered that the United States is a federation of sovereign states, and the power to tax indeed is the power to destroy.

Let us summarize Chapter V: Municipal indebtedness has more than doubled since the mid-1940's. The purchasers of state and municipal bonds embrace institutions, individuals, trust funds, corporations and pension funds. Municipal bonds offer safety, marketability and exemption from Federal income taxes. They are exempt because of the doctrine of reciprocal immunity whereby states do not tax the Federal Government and the Federal Government does not tax the states.

Chapter VI
Other Types of Municipal Bonds

All bonds issued by state and municipal governments are not full faith and credit general obligations.

In recent years, many billions of dollars have been spent in the construction of toll roads, bridges, ferries, water systems, sewerage systems, electric systems and, even, swimming pools. These funds were obtained by the issuance of what is known as revenue bonds. The costs of operation of the facility for which the bonds were issued and the principal of and interest on the indebtedness are payable from special revenues derived from services for which the user pays.

The popularity of revenue bonds has increased greatly in recent years because they are, in the main, self-supporting and are not charged against the general debt limit of the borrower. Because of their limited sources of payment, they invariably carry higher interest rates.

Another medium which has become popular in municipal finance is the creation of an authority which issues its own bonds. These usually are payable from special revenues. The authorities are created by acts of various legislatures to serve special areas, such as the Port of New York Authority, created jointly by the States of New York and New Jersey. Another example is the Hampton Roads Sanitation District Commission, Virginia, which provides sewerage treatment for the entire Hampton Roads area, embracing the cities of Norfolk, South Norfolk, Newport News, Hampton, Warwick and others.

The authority often has been used as a means to evade the debt restrictions of a state's constitution. In Pennsylvania, particularly, there have been many issues of school authority bonds, the payment for which is provided in the terms of a lease between the issuing body and the proper school authorities — sometimes even by appropriations from the Commonwealth of Pennsylvania relief.

Authorities enjoy a high degree of autonomy which, when properly used, means a freedom from political interference. In a few instances, such autonomy has been abused and many authorities have been accused of perpetuating the life of the body by the rather simple device of continuously adding to the original project. For instance, an authority originally created for the purpose of building a revenue-producing tunnel, broadens its activities into the fields of bridges, airports, etc. Usually these are proper functions and have redounded to the benefit of the communities involved. Sometimes they have not.

Finally, we have the special assessment bond, issued primarily to pay for sidewalks or other improvements in a strictly local area. These bonds are payable only from assessments of the abutting property owners and rarely are used in municipal finance today. They are not popular with investors because of the restricted source of payment.

Let us summarize Chapter VI: In addition to full faith and credit general obligation bonds, revenue bonds are issued for specific municipally-owned revenue-producing enterprises. The user pays fees to cover the cost of operation and debt service on the bonds. Revenue bonds are not charged against the debt limit of the issuer and usually command higher interest rates. A recent development in municipal finance has been authorities, created by special cast of legislatures to serve the needs of special areas and, in some instances, to avoid constitutional debt restrictions. Special assessment bonds sometimes are issued for specific purposes, such as building sidewalks for abutting property owners. This type of obligation is not popular with investors.

Chapter VII
We Summarize

In our discussion it was seen that true wealth represents the results of someone's productive labor.

The development of the family unit was traced from its primitive state to a densely populated urban community. We have seen that this growth created a need for services which cost money.

Next, we discussed how these services are provided, especially in the field of capital improvements which are financed by bond issues.

This was followed by an outline of how these bonds are issued and sold with the dispensable aid of the investment banker.

We then considered who buys municipal bonds and why.

Finally, types of municipal bonds other than those termed general obligations were outlined.

Throughout this entire talk I purposely have omitted the technical details of the municipal segment of the great investment banking industry of the United States as I felt you were more interested in the benefits of the activities of the municipal investment banker rather than the mechanics of his operations. You see these benefits every day in the form water and sewerage plants, well-paved streets, impressive and useful public buildings, modern highways and other tangible assets so necessary to modern civilization.

The part played by this department is well stated in "Municipal Bonds," a recent booklet written by George Wanders, Editor of "The Bond Buyer":

"The functioning of that special department is a modern miracle of skill and daring, of ingenuity and adaptation of understanding and cooperation. About 1,000 firms and banks in New York, Chicago and other financial centers form the nucleus of the organization that underwrites and distributes municipal bonds. Many branch offices augment its effectiveness. Every important point in the United States and Canada thus is covered.

"All the financing that falls to this department is for the public welfare, a fact which brings to the bankers a high sense of dignity and responsibility."

TABLE I
(000,000 omitted)

	1955	1954	1953	1952	1951	1950
State	$11,198	$9,600	$7,824	$6,874	$6,373	$5.361
County	3,740	2,710	2,454	2,018	1,875	1,707
City	15,973	14,587	13,558	12,659	11,721	10,903
Township	860	801	656	619	411	339
School District	7,259	5,923	4,712	3,806	3,257	2,710
Special District	5,857	5,310	4,577	4,125	3,403	3,166
Total	$44,267	$38,931	$33,782	$30,101	$27,040	$24,191

TABLE II

	1954 %	1953 %	1951 %	1949 %	1947 %	1945 %	1943 %
Individuals, partnerships and personal trusts	39.7	35.9	37.7	42.7	41.4	43.9	40.5
Commercial banks	32.2	32.8	32.1	29.1	30.4	23.4	18.9
Savings Banks	1.3	1.2	0.4	0.5	0.6	0.6	1.8
Insurance companies	9.9	10.8	9.3	7.8	5.4	6.7	9.7
Other corporations	2.1	2.2	2.2	2.4	2.4	2.4	2.7
Miscellaneous investors*	1.9	1.9	2.2	2.4	2.4	2.4	2.7
Governmental agencies: Federal, state & local	12.9	15.2	16.1	15.1	17.4	20.6	23.7
	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Savings and loan associations, pension funds, dealers and brokers, etc.
SOURCE: Annual Report of Secretary of the Treasury.

Continued from first page

Basic Trends in the Economy And Effect Upon Securities

Everyone, of course, knows that each year we raise productivity and make some technological advances. What has been overlooked is that the capacity to do these things has been growing — that the capacity of the economy to grow is getting greater every year. Indeed, there is some evidence that in recent years our capacity to grow has been increasing at an increasing rate, but I do not intend to go into that point.

During most of human history, technology was almost static and output per worker changed little from century to century. Only in terms of very slow changes in technology can the low per capita output as late the eighteenth century be explained.

During the latter part of the eighteenth century or early in the nineteenth century productivity began to pick up. When one goes back a hundred or a hundred and fifty years, the figures on production are far from adequate, but they indicate that during the first half of the nineteenth century output per worker may have increased by as much as 1% a year. In the latter half of the nineteenth century, the growth of production rose to about 2%, and it continued at roughly that rate well into the twentieth century. In recent years the rate seems to have been well above 2%—though there is some evidence that in the last 12 months temporary conditions may have retarded gains in productivity.

Whence comes this growing capacity to increase productivity? The capacity to increase productivity requires certain types of skills, resources, and institutions—ability to make technological discoveries; ability to produce capital goods of various types; ability to finance capital expenditures; and, finally, business executives who are in the habit of regarding the world as a changing place and who have learned to do a certain type of thinking — to think in terms of long-run development of technology, markets, and other conditions.

Causal Responsibility

Of the various causes for the economy's growing capacity to increase productivity, two impress me as particularly interesting and important. One is the rise in output per capita, which in itself is an important cause for further increases in productivity. The other is the processes of technological change and expansion which in themeslves add to the capacity of the economy to make further increase in productivity.

How does a rise in output per capita make possible still further gains in productivity? In the main because it gives the population a better opportunity to acquire skills. It does this in large part by bringing education within reach of a larger part of the population. As per capita output rises, a larger and larger proportion of the population can afford to go to high school or college. For example, the number of persons graduating from colleges and universities each year is about five times as large relative to total population as it was in 1900.

How does the process of increasing productivity raise still further the capacity of the economy to raise productivity? In two principal ways. In the first place, it stimulates the growth of the kind of skills, resources, and institutions which the growth of productivity requires. The process of increasing productivity brings into existence large staffs of scientists and engineers; it increases the size of the capital goods industries which produce the equipment required by changing technology; it increases the number of research laboratories in private industry and the number of research firms that undertake research work on contract; it fosters the development of all manner of collateral institutions that facilitate growth, such as appropriate developments in the capital markets and new forms of securities and new loan arrangements to meet special problems. It brings into existence financial technicians who are skilled at inventing the kind of financial arrangements needed to finance growth under various conditions.

There can be no doubt that the United States is far better prepared to finance growth today than it was a century ago. The principal of the equipment trust certificate has been extended to new varieties of equipment, the term note has been developed; the lease has been developed with considerable imagination as a device for meeting the capital needs of a wide variety of enterprises. Finally, the process of growth affects the operation of business management itself. It stimulates the organization of staffs that plan growth—and that are available to plan still further growth. Most important of all, it changes the thinking habits of top executives and leads them more and more to regard innovations and expansion as normal parts of the environment.

Creates Vested Interests in Technological Change

But the process of raising productivity does much more than supply the economy more abundantly with the resources, skills, and institutions required to produce changes in productivity. The second way in which it raises the capacity of the economy to increase productivity is by creating large vested interests in further technological changes and in further expansion. It brings into existence an increasing number of enterprises that depend for their markets upon the rate at which technology changes and upon the rate at which industry buys new plant and equipment. These enterprises do not let the rate of technological change occur at whatever rate independent engineers and scientists happen to make discoveries, and they do not let the rate at which equipment is purchased depend upon the rate at which users of equipment see fit to purchase it. The firms whose markets depend upon the rate of technological change and the expansion of industry attempt to accelerate the rate of discovery by hiring scientists and engineers to make discoveries and by offering users of equipment new machines that they must buy in order to remain competitive.

All of this is a very fundamental change in the nature of our economy. During most of the history of the world, the rate of technological change was pretty much an accident. The economic calculus did not apply to it. There was no such thing as an industry of discovery in which resources flowed as long as discoveries could be made at a rate that more than paid the cost of making them. Today in the United States we have a large and rapidly growing new industry that may appropriately be called the industry of discovery. Its product is knowledge. The industry consists of the various laboratories and organizations that depend upon discovery for their living and that are interested in improving their living by raising the rate of discovery. It is now possible to estimate the costs of doing research with sufficient accuracy and also to judge the chances of success with sufficient accuracy so that one can make more or less rational decisions concerning how much to spend on research.

The industry of discovery is one of the most rapidly expanding industries in the economy, and it seems destined to grow rapidly for some years to come because its size today is limited, not by the number of problems that are worth studying, but by the supply of skilled personnel. The industry employs more than two and a half times as many research scientists and engineers today as it employed 15 years ago, and it would employ many more if it could get them. It will be much larger 10 years from now than it is today—undoubtedly much more than half again as large.

Since the economy is steadily adding to the number of persons who possess the skills required to raise productivity, and since it is also increasing the other resources needed to raise productivity, one must expect a continuation of the slow rise in the rate of productivity increase that has been going on for at least two centuries. Indeed, it is not unreasonable to expect that the long-term trend line will soon be about 3% per manhour per year. Perhaps this point has already been passed. But I should add that the figures for the last year seem to show a temporary halt in the rise in productivity. The Department of Commerce estimates that the Gross National Product, after correction for price changes, increased about 4% between the first half of 1955 and the first half of 1956. But the number of persons at work increased 3.8% in the same period, and the average hours worked per week changed very little. The figures seem to indicate virtually no change in output per manhour between the first half of last year and the first half of this year. Comparisons of this sort are treacherous, but it may well be that the estimates of the Gross National Product given by the Department of Commerce for 1956 are substantially too small. On the other hand, the rather poor record of corporate profits during the last year suggests that many managements have been having trouble in getting labor efficiency.

III.

The Growing Capacity of the Economy to Increase the Demand for Goods

Although the economy has been raising productivity quite rapidly, at least until this last year, it has been raising the demand for goods even more rapidly and it has been steadily gaining in its capacity to increase the demand for goods. The steadily growing capacity of the economy to increase the demand for goods has also been pretty generally overlooked. Indeed, a few economists have even gone so far as to argue that the economy is threatened with a chronic deficiency of demand.

The growing capacity of the economy to raise the demand for goods comes in large part from the same conditions that have been raising the ability of the economy to increase production—its growing capacity to make technological changes and rising per capita incomes. In addition, increases in family incomes have raised the capacity of the economy to raise the demand for goods.

Growing capacity to make technological discoveries makes it less necessary for enterprises to take markets as they find them and improves the ability of enterprises to operate upon markets by offering consumers goods that they are ready to buy even at the cost of going into debt and by offering other enterprises improved equipment that they cannot afford to be without. Thus, industry's growing capacity to make discoveries is also raising its capacity to increase the demand for goods.

Industry's ability to raise the demand for goods is also being raised by rising per capita incomes and rising family incomes. The increase in family incomes has been particularly rapid. Thus, between 1952 and 1956, a period in which there was little change in the level of prices, the proportion of families with incomes of $5,000 or more increased from 21% to 35%. The rapid gain in family incomes has been made possible in large part by the increases in multiple-worker families. Between 1952 and 1955 the proportion of married women (not widowed or divorced) in the labor force increased from 26.7% to 29.3%. Back in 1940 it was 16.7%.

Rising per capita and family incomes increase the capacity of the economy to raise the demand for goods in several ways. As per capita incomes and family incomes increase, the proportion of income spent on necessities drops and the proportion spent to suit the whims of the individual rises. Thus, an increase in per capita income tends to make consumption less stereotyped and more flexible. The result is a big rise in the rewards for successful innovations. New and improved products stand a better chance of getting a share of the consumers' dollars. Hence, the incentive to attempt to create products that will win favor with consumers is increased.

Rising per capita and family incomes are in large measure the foundation upon which the recent spectacular growth of the consumer credit industry has been based. Although consumer credit is not new, only within the last generation has business discovered the broad scale on which it is feasible to make consumption loans. The result has been virtually a new industry with consumer credit expanding from $7.6 billion in 1929 to nearly $40 billion today. Large organizations of men skilled in making personal consumption loans has been built up, and business is constantly studying the possibility of using credit to promote the sale of new kinds of goods and services. Never has the country been so well prepared as now to help people spend more than their incomes.

The expansion of the consumer credit industry means a great gain in the capacity of the economy to increase the demand for goods. It means that expenditures on consumption are less dependent than ever before upon the size of personal incomes and, to a growing extent, are dependent upon a combination of the size of personal incomes and the willingness and ability of individuals to borrow.

IV.

The Economy is Outgrowing the Business Cycle

Many people believe that the business cycle is simply an expression of man's inability to see the future accurately or completely, so that it is bound to be with us indefinitely. Even many economists share the view that there must always be business cycles. At the conference on the business cycle in the postwar world at Oxford in 1952, the coming of a serious depression in the United States was more or less taken for granted.[1]

Human mistakes will produce cycles in **individual** industries, but somewhat special economic conditions and institutions are needed to produce rather **general** fluctuations in production. During recent years, conditions and institutions in the United States have been changing in such a way as to make the economy as a whole less and less prone to move in a cyclical fashion. Some of the changes are the result of deliberate efforts of the community to limit the fluctuations of business. These include (in part at least) the development of a flexible credit policy; laws to strengthen the banking system; a tax system which makes a large part of tax liability depend upon income, so that tax liability rises and falls with incomes; unemployment compensation; and the gradual acceptance of the idea of compensatory government spending. But these planned efforts to limit the business cycle are considerably less important than developments that have not been originated for the purpose of affecting the business cycle. Indeed, some of them have not been planned at all. What are some of these changes?

Changes Taking Place

(1) **The increase in the number of important industries.** Among the industries that have come into existence or that have grown greatly in importance during the last 20 or 30 years are the airplane industry, commercial aviation, the natural gas industry, the plastics industry, the various parts of the electronics industry, the aluminum industry, the chemical industry, the road building industry, the air conditioning industry, the frozen foods industry, and various industries making durable consumer goods.

An increase in the number of industries tends to dampen the effects of any favorable or unfavorable developments upon the economy because such developments affect different industries in different degrees and at different times. The point is well illustrated by the effects of inventory adjustments. From time to time some industries are bound to make mistakes in judging markets and to allow their inventories to become too large or too small relative to sales. In an economy of a few industries, the efforts to correct such mistakes may be quite disturbing to the entire economy. The larger the number of industries in the economy, the less seriously will the economy be disturbed (stimulated or depressed) by the efforts of some industries to restore the best ratio between inventories and sales. For example, during the last year, when the automobile industry made the mistake of accumulating too large inventories and then went through the painful process of reducing them, the effects on the economy were remarkably small.

(2) **The growing importance of long-term planning in business management.** The art of management has developed enormously during the last 50 years and it is still rapidly developing. One of the important developments has been the growth of staff work, and a principal development in staff work has been the study of long-term trends and prospects for raw materials, technology, and markets. All of this has led to the development of long-term plans for the enterprise as a whole.

The execution of long-term plans is not unaffected by short-run ups and downs in business, but the development of long-term plans makes business spending less sensitive to short-run changes in general business. Many types of equipment must be ordered two or three years in advance, and once projects are started, it is often physically necessary to complete them up to a certain point. The state of affairs that I am describing is not totally new, but long-range planning has grown greatly in importance—as the McGraw-Hill surveys on the invest-

[1] Erik Lundberg (editor), *The Business Cycle in the Post-War World*, p. xv.

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ment plans of enterprises so clearly show.

(3) **The wage-payment system of American industry is being changed in ways that reduce the contractions associated with mild or moderate recessions.** A considerable number of companies (particularly stronger companies) are making wage contracts for several years that call for a wage increase each year. In the case of weak companies, such agreements could be quite deflationary in periods of recession, especially serious recession, since they would weaken the credit standing of the company. In the case of strong companies, however, these long-term wage agreements are either stimulating or stabilizing. At any rate, they tend to sustain payroll disbursements in the face of drops in employment and, in the case of stronger companies, they do this without forcing cuts in other kinds of spending. Of course, to the extent that unions force the extension of long-term agreements calling for annual wage increases upon weak companies, recessions will be aggravated.

(4) **The banking system, which formerly behaved in an unstabilizing fashion, aggravating the ups and downs of business, has recently begun to behave in a stabilizing way.** In the old days, banks aggravated the more severe contractions of business by engaging in a competitive pursuit for liquidity during periods of contraction. The most conspicuous example of this behavior, of course, was following 1929. The banking system has been greatly strengthened by amendments to the banking act in 1935 and by the acquisition by the banks of enormous quantities of government securities during the war. The banks are now strong enough so that they can be counted upon, in most instances, to try hard to expand their earning assets in periods of business contraction. This change in the behavior of the banks is a great contribution to economic stability.

The effect of these various influences that are reducing the cyclical movements of industry is to reduce cyclical movements still further (1) partly by virtually eliminating the tendency for some kinds of income spending to drop, and (2) partly by loosening the economy and creating a tendency for different parts of the economy to move up or down quite independently of each other. The effect of these opposite movements is, of course, stabilizing.

Areas of Stability

Among the economic series that have shown a strong tendency to grow steadily are expenditures of consumers for services, business transfer payments, dividend payments, state and local expenditures for goods and services, and government transfer payments. The series on expenditures of consumers for services goes back on a quarterly basis to the beginning of 1939, giving us a record of 70 quarter-to-quarter changes. In that period there has not been a single quarter-to-quarter drop in expenditures on services. In other words, there has been an unbroken record of 70 quarter-to-quarter increases. The business transfer payment series, through a small one, has also gone through 70 quarter-to-quarter changes without a single drop. Dividend payments, after correction for seasonal factors, have had only six drops in 70 quarter-to-quarter changes, and four of these were between the first quarter of the year and the second quarter, indicating probably abnormalities in first quarter dividend disbursements not adequately covered by seasonal adjustments. State and local expenditures for goods and services have not had a quarter-to-quarter drop since early in 1953, and have had only two quarter-to-quarter drops in the last 12 years. Government transfer payments have had a number of drops after the war, due to payments to veterans, but there has been only one quarter-to-quarter drop in the last four years and only two since the beginning of 1951. Payments to farmers may introduce some quarter-to-quarter fluctuations into government transfer payments, but in general these payments must be regarded as a steadily rising series.

Boom and Recession Opposing Movements

The loosening up of the economy with the resulting tendency of important economic series to move in opposite directions is illustrated by the movements of the nine principal forms of expenditures on various occasions.[2]

For four quarters beginning with the first quarter in 1949 there was a drop in the Gross National Product. Throughout this period of decline three or more of the principal kinds of spending were expanding. In one of these four quarter-to-quarter drops in the Gross National Product, three of the nine principal forms of expenditures (seasonally adjusted) increased, in two of the quarter-to-quarter drops five of the nine principal forms of expenditures increased, and in quarter-to-quarter drop six of the nine principal forms of expenditure increased. Twice in 1953 there were quarter-to-quarter drops in the Gross National Product, but on each occasion three out of the nine principal kinds of spending increased.

There is a stronger tendency for all kinds of spending to move together in periods of vigorous boom, but even when the quarter-to-quarter increases in Gross National product are very large (as in the case of the four quarter-to-quarter changes beginning with the fourth quarter of 1954), one or two of the principal forms of spending was dropping. In the last nine months, when demand has been pressing hard on the capacity of industry, three important forms of spending (on durable consumer goods, non-farm residential construction, and inventories) have been dropping.

Two important forms of spending have recently moved in opposite directions on crucial occasions. They are outlays on durable consumer goods and outlays on producers' durable goods. Thus, for the nine-month period from the third quarter of 1949 through the first quarter of 1950, when expenditures on producers' durable goods were dropping, expenditures on consumers' durable goods were rising. The rise in outlays on durable consumer goods was a major influence in limiting the contraction of business in 1949.

Again in 1954, from the second quarter of the year through the first quarter of 1955 (a period of 12 months), expenditures on producers' durable goods were dropping, but outlays on consumers' durable goods were rising, limiting the contraction in business. Still again, beginning in the fourth quarter of 1955 through the third quarter of 1956, a period of 12 months, the two series moved in opposite directions. This time outlays on producers' durable goods were rising, and expenditures on durable consumer goods were falling, limiting the intensity of the boom.

I am not asserting that a rise or fall in expenditures on one of these classes of goods tend to **cause** the opposite change in expenditures on the other class. I am simply pointing out that our economy has loosened up to such an extent that various important forms of outlays (including these two) frequently move in opposite directions for six to 12 months and that these opposite movements have tended to limit both general contractions and general expansions of business.

V.

The Growth of Institutions That Tend to Produce a Slowly Rising Price Level

The economy has been developing attitudes and institutions that tend to produce a slowly rising price level. The full extent of this tendency has been obscured by the downward movement of farm prices which have fallen over 7% since June of 1954. But farm prices cannot be expected to drop at this rate indefinitely because incomes in agriculture are far below the incomes yielded by work of similar skill or responsibility outside of agriculture. Hence, the net movement of people out of agriculture, which has been going on for over 40 years, will continue. Unless technological progress in agriculture exceeds technological progress elsewhere, farm prices will eventually rise until incomes in agriculture are brought closer to incomes outside of agriculture.

The index of the prices of commodities other than farm products and goods, shows plainly the strong tendency for prices to creep upward. In the 28 month-to-month changes that have occurred since June, 1954, this index has moved upward 23 times. It has dropped only four times since June, 1954, and has remained unchanged once. In all it has risen about 7.7% in 28 months.

Account for Long-Run Slow Price Increase

There are three reasons why a slow rise in prices is likely in the long-run. One is the growing capacity of the economy to increase the demand for goods which I have already discussed. The second is the prospect that the labor expenditure required to obtain given additional quantities of non-replacebale raw materials (petroleums and metals) will increase. Only a small part of the world is industrialized, and the non-industrialized countries are striving had to build up manufacturing industries. As they succeed, the demand for petroleum and metals will increase enormously over present levels. The third reason is the bargaining power of trade unions.

It is a basic policy of the United States to encourage employees to form unions, and there is no prospect that this policy will be changed. Figures on trade union membership show an almost unbroken year-to-year gain for the last 23 years, and a slow and somewhat interrupted rise in the ratio of trade union membership to the non-agricultural labor force. If the economy is successful in maintaining a strong demand for goods and a high level of employment, the unions are likely to succeed in pushing up wages and fringe benefits a little faster than gains in the productivity of labor. Already many unions have made contracts for two or three years providing for wage increases that will more than absorb all gains in productivity likely to be made in that period. Hence, the outlook is for a slow increase in labor costs per unit of output. If that happens, the price level will also have to rise most of the time.

Since our capacity to raise the productivity of labor is growing, is there not a good chance that productivity will rise as fast as wages and fringe benefits, thereby preventing a general rise in labor costs? That possibility is not bright. The changes in technology that raise porductivity require new equipment and often new plants. These must be supplied by the existing plant and equipment of industry. Thus, the more rapid the rate of technological change, the greater is the pressure upon the existing resources of industry. This pressure put the unions in a strong bargaining position. Hence, the faster the rate of technological change, the faster trade unions may be expected to put up wages.

VI.

The Growing Competitiveness of the Economy

The economy is becoming more and more competitive, and the nature of competition is changing. The notion that the economy is becoming more competitive has been disputed by some economists, who have noted that in many industries a large part of production and sales is made by three or four huge concerns, and who have concluded that concentration makes for less competition. But this conclusion is not true as a general proposition.

There are three principal reasons why the economy is becoming more competitive. One is that competition between the old and the new is becoming more intense because people are becoming more and more adequately supplied with stocks of goods. Thus, the volume of durable consumer goods per person, when expressed in dollars of constant purchasing power, considerably more than doubled between 1900 and 1949.[3] The more adequately people are supplied with goods, the stronger is the competition given by existing goods to new goods. It has been found that the best way to get people to replace old goods with new is to make the new goods different and better, rather than cheaper. Thus, competition tends to become more and more a matter of improving quality.

Competition is also being made keener by the growing capacity of industry to improve products and methods. Every enterprise is threatened to a greater extent than ever before with the possibility that its rivals may bring out a product which consumers prefer to its own product. Hence, there is a growing rivalry in attempts to make technological changes.

The new competition may even come from another industry because one of the principal effects of technological progress is to supply industry with an ever-growing variety of materials, processes, and products. Thus, there is far more inter-product and inter-service competition today than there was even 20 or 30 years ago. The only protection against competition from new and better products and methods is to improve one's own product and one's methods faster than one's rivals improve their products and methods. Thus, the competition created by technological change tends to become keener and keener. The enterprises best able to do research tend to be large concerns. This is one reason why concentration of industry into large concerns often intensifies competition rather than weakens it.

Finally, competition is being stimulated by the growing rewards for successful innovation. The bigger the market, the greater are the rewards achieved by the developers of successful new products, such as bubble gum, frozen orange juice, fish sticks, instant coffee, home permanents, and what not. Never in the world's history have the prizes for successful innovation been as huge as they are in the immense American market which accounts for 40% of all the world's consumption. These rewards will be even larger tomorrow.

But is it not a contradiction to argue that competition is growing more intense but that prices are likely to creep upward? Will not competition prevent prices from rising? The answer is "No." Competition will prevent prices from rising faster than costs, but it will not prevent prices from being adjusted in the long-run to rises in costs.

VII.

The Significance of the Basic Trends in the Economy

I shall not discuss in a comprehensive fashion the significance of the basic trends that I have described. That would be a big topic in itself. I wish to call your attention, however, to a few of the many important ways in which these trends are important.

Since we have just come through a political campaign in which candidates on both sides have exaggerated the extent to which the government is responsible for both the ills and the prosperity of the economy, let me remind you that the increasing dependence of the economy upon technology reduces its dependence upon public policies. Of course, public policies will always be important, and, in addition, the mere size of the government makes many of its economic decisions momentous. Nevertheless, the growing ability of scientists and engineers to create investment opportunities, improves the capacity of industry to go ahead more or less undisturbed by the ordinary sort of political changes.

The technological trends that I have described plus the gains in productivity, are gradually eliminating the so-called proletariat—the class of propertyless workers who possess no skill. Back in 1910 one out of four workers was unskilled; today the proportion is one out of 11. Modern technology and modern business methods are rapidly increasing the number of persons in the skilled crafts, the white collar occupations, the semi-technical technicians, and the professional and administrative workers of all classes. Rising per capita and family incomes have the same effect, because they increase the demand for the services of skilled workers and of professional people. These changes in the composition of the labor force are having far-reaching social and political effects.[4]

Increased Diversity and Size

The trends that I have described have increased the best size of business enterprise. They are making it important in many industries that concerns be large enough to afford a certain amount of research. Rapid technological change and the growing intensity of competition also make it important to reduce the risks of business by adding diversity to the product lines. The needs for larger size and for greater diversity are being met in considerable measure by mergers. The country undoubtedly needs many more mergers than it is getting, particularly among small enterprises and concerns of medium size. I do not assert that all mergers are wisely and properly planned, and I do not condone the buying of companies for the purpose of

2 These nine principal forms of expenditures are outlays for (1) durable consumer goods; (2) non-durable consumer goods; (3) consumer services; (4) residential non-farm construction; (5) other construction; (6) producers' durable equipment; (7) inventories; (8) goods and services by the Federal Government; and (9) goods and services by state and local governments.

3 Raymond W. Goldsmith, *A Study of Saving in the United States,* Vol. III, p. 20.

4 See my article "The Growth of Moderation," *Atlantic Monthly,* October, 1956.

milking them. It is important to remember, however, that there are sound economic reasons for most of the mergers that are occurring. The Department of Justice seems to be in a sad state of confusion with respect to what kind of mergers strengthen competition and what kind weaken it. In fact, the Department of Justice does not seem to be clear whether the purpose of the anti-trust laws is to give consumers the benefit of stiff competition or to protect small enterprises against the vigorous competition of more efficient rivals.

The effect of these trends that is of greatest interest to the present audience is probably their net effect upon the relative attractiveness of stocks and bonds. Four of the trends (the growing capacity of the economy to increase productivity and to increase demand, its diminishing susceptibility to business cycles, and the prospect that the long-run movement of prices will be upward) make stocks more attractive relative to bonds. The growing intensity of competition tends to make bonds more attractive relative to stocks. The net effect to recent and current trends, however, has undoubtedly been to raise the attractiveness of stocks relative to bonds. The market, it is true, has been rather slow in catching on to the changed relative attractiveness of stocks and bonds, but considerable progress has been made in the last several years. At any rate, relative yields of stocks and bonds make much more sense today than they made three years ago.

All in all, the trends that I have described must be regarded as favorable—they help improve the economy. The one exception, of course, is the creeping rise in prices. It would, of course, be nice if prices would not rise, but the dire predictions that one reads every now and then about the consequences of a slow inflation strike me as ridiculous, particularly when the inflation is initiated by a rise in labor costs to which commodity prices more or less sluggishly adjust themselves. In this imperfect world we are often compelled to choose between evils, and if the choice is between enough unemployment to halt the rise in labor costs, direct controls of wages and prices, and creeping inflation, let us by all means have the creeping inflation. It is the least of the three evils.

Form Campbell Secs.

RICHARDSON, Tex.—Campbell Securities Corp. has been formed with offices at 727 South Central Expressway to engage in a securities business. Officers are R. S. Campbell, President; Gordon H. Babbitt, Secretary and Treasurer.

Form Pacific Inv.

SEATTLE, Wash. — Pacific Investment Brokers, Inc., has been formed with offices in the Joshua Green Building. Walter C. Johnson is a principal of the firm.

New Hirsch Branch

HOLLYWOOD, Fla. — Hirsch & Co. have opened a branch office in the Hollywood Beach Hotel under the management of Robert Fraiman.

Interstate Secs. Branch

KNOXVILLE, Tenn.—Interstate Securities Corporation has opened a branch office in the Hamilton National Bank Building under the direction of Thomas M. Callaway.

Quinby Branch Opened

BUFFALO, N. Y.—Quinby & Co., Incorporated has opened a branch office in the Morgan Building under the management of Charles K. Behringer.

Continued from page 10

What's Ahead for Business In the Next Ten Years?

enlarges the reserve for depreciation.

All right, then; $4.5 billion in savings plus $2.5 billion in added depreciation equal roughly $7 billion. To this add perhaps half a billion in increased retained earnings by corporations. The total now is $7½ billion. The surplus in the Federal Government's cash consolidated budget this fiscal year will be perhaps three billion —possibly four billion dollars— giving us a total of prospective *increases in sources of funds to finance plant expansion of no less than $10 to $11 billion*, against an increase in plant expenditures for the period of "only" $8 or $9 billion. Thus the prospect is encouraging indeed. Consumers may of course spend more and save less.

We ought to be thoroughly pleased with our present state of affairs. We are producing at a maximum and *increasing our production too*. Beyond that, we are improving America's industrial plant as the fastest rate in history. To meet the requirements of our improved industrial plant—and to take care of the 81 million passenger cars they tell us we shall have by 1975—we propose a highway-improvement program worth the $41 billion it will cost.

Let me return briefly now to interest rates.

Money Will Be Adequate Without Gold Tinkering

Only dead economies have no interest rates; only poorly performing economies have low interest rates. The interest rate essentially measures the health and the strength in the rate of technological advance.

The extremely low interest rates of the 1930's reflected the deadening of incentives for enterprise, and, as importantly, the consequences of gold or dollar devaluation in increasing immensely the entire credit base. Devaluation ultimately enlarged our basic gold reserve from $4 to $24 billion. Despite the fact commercial bank's reserve requirements were doubled, money was redundant and nothing that is redundant sells at a good price.

There is no longer any thought of additional tinkering with gold, so we must plan to operate on the basis of our present monetary reserve — which will not increase appreciably in the next 10 years. So the demand for enlarged and improved capital facilities created by our rapid technological advance must be contained within it.

Happily, because reserve requirements were increased in the 1930's, we are a very high reserve ratio country. Our commercial banks have reserves probably at least 50% above the ratio for other leading commercial countries.

Here we have some slack.

Next, the liquidity ratio of our banking system is more than twice what it was in 1929. Besides that, and most fortunately, bank liquidity is highest in the agricultural West, where, historically, most of our commercial-banking troubles — the troubles that have sometimes led to the total collapse of the United States money supply — have originated. In the West today banks are commonly more than 50% liquid, against a ratio probably more like 40% in the big Eastern financial centers, where resources for banks are much more diversified.

Three Possible Upsets Will Not Occur

Now what could happen to spoil the picture?

There are three possibilities.

One is inventory liquidation. In 1949, under a Democratic Administration, inventory liquidation caused a mild recession, which was very well handled. In 1954, under a Republican Administration, inventory liquidation caused another mild recession, which also was very well handled. In each case the "multiplier" was reduced from its theoretical value of 2.00 to just 0.50. The "multiplier" is the reverberation of reduced family spending caused by the original "noisy" reduction in primary expenditures for plant, equipment, houses, inventories and defense goods. In both 1949 and 1954 we enlarged family income in other ways. But the prospect of serious damage through inventory liquidation is not great, especially with personal incomes expanding persistently, at the rate of from $15 billion to $18 billion a year. This will expand spending and permit more saving too.

A second depression cause might be failure of capital formation. But, as we have seen, not only does such a failure not seem to be in prospect, but capital expansion is proceeding so vigorously that it must be restrained to prevent inflation.

The third possibility would be a complete collapse of the United States' money supply. We did have such a collapse no fewer than six times in the 60 years between 1873 and 1933. But we will not have one in the discernible future, and "discernible future," for me, extends all the way through 1965, with its exciting prospect of a $535 billion Gross National Product. High bank liquidity will prevent that.

We thoughtful Americans are anxious to continue our economic education. Our objective, of course, is to strengthen the structure of the American economy, and to induce from capitalism, in a free way, under private enterprise, the economic growth we all seek.

Let me finish with a quotation from Dr. C. Canby Balderston, Vice-Chairman of the Federal Reserve Board. He said, recently: "Of all the great industrial nations, the one that clings most tenaciously to private capitalism has come closest to the socialistic goal of providing abundance for all in a classless society."

H. B. Bonime Opens

Harold B. Bonime is engaging in a securities business from offices at 165 Broadway, N. Y. City.

Selected Secs. Branch

TUCSON, Ariz. — Selected Securities Incorporated has opened a branch office in the Tucson Professional Building under the management of Donald V. Morris.

Two With Lloyd Arnold

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Rita Lupino and Lawrence Pleener have joined the staff of Lloyd Arnold & Co., 404 North Camden Drive. Mr. Pleener was previously with Samuel B. Franklin & Co.

Bache Adds Two

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Victor Clifton and Francis J. Leffer have become affiliated with Bache & Co., 445 North Roxbury Drive.

With Philip Glanzer

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Emil J. Iwansky has been added to the staff of Philip Glanzer, 8549 Wilshire Boulevard.

Railroad Securities

By GERALD D. McKEEVER

Minneapolis & St. Louis

On November 9 an ICC examiner recommended the rejection of the application of the Minneapolis & St. Louis for permission to acquire the entire outstanding stock of the Toledo, Peoria & Western, and recommended instead that the Commission grant the request of the Atchison, Topeka & Santa Fe and the Pennsylvania R.R. to acquire this stock jointly. The Minneapolis & St. Louis had met the joint offer of the Santa Fe and Pennsylvania of $12,150,000, or $135 per share for the 90,000 shares of the Toledo, Peoria & Western, but the report of the examiner favoring the joint bid over that of the Minneapolis & St. Louis is said to have been inspired by his inability to find evidence on the part of the latter of its means to effect the acquisition. The Toledo, Peoria & Western is a "switching" road used by a number of carriers for access to the Peoria Gateway.

However, this recommendation had no immediate repercussions on the market price of the stock of the Minneapolis & St. Louis. On the contrary, this stock closed at 23¼ on the same day for a net gain of a quarter of a point and a half point gain over the day's opening price. If the examiner's recommendation is accepted, the Minneapolis & St. Louis will merely retain its status as one of the roads benefiting from interchange with the Toledo, Peoria & Western at Peoria. Tonnage received from connections is of great importance to the Minneapolis & St. Louis, constituting 55% of freight tonnage in 1955 and almost the same proportion on the average over the past five years.

The Minneapolis & St. Louis identifies itself particularly with the Peoria Gateway which is at the approximate mid-point of the T. P. & W. which latter brings traffic from its connection with the Santa Fe, Burlington and Rock Island at its western terminal and from the Pennsylvania, New York Central, the Chicago & Eastern Illinois and the St. Paul at the eastern points. Aside from this, however, the New York Central, Nickel Plate, Illinois Central, Pennsylvania R.R. and others also have terminal points at Peoria which is the Southern terminus of the Minneapolis & St. Louis. This road furnishes a comparatively direct route from Peoria to the Northwest via the Twin Cities. From the latter a line extends westward to Aberdeen and Leola, S. D. which provides important bridge traffic. A loop line running parallel to most of the main line to the Twin Cities extends southward from Norwood on the Aberdeen line via Des Moines to its connection with the main line.

In spite of aggressive management the Minneapolis & St. Louis can scarcely be called a growth road. Its revenue and traffic trends have trailed those of the Northwestern District for the past several years, although the revenue trend had followed that of the District quite closely until last year. While the Minneapolis & St. Louis did show a 2.1% gain in freight revenues and a 1.9% gain in total revenues (freight was 95.9% of the total) this was much below the proportionate gain of the district. It has been explained by the road that other carriers in the district shared in the movement of prior years' crops out of storage whereas the Minneapolis only participated in the normal yearly movement of wheat last year.

The Minneapolis & St. Louis has prospered mostly because of operating efficiency. It has been fully dieselized since 1950 and it was one of the first of the roads to begin the change-over, having been placed in top physical shape by its former receiver and later its first President, Mr. L. C. Sprague. Despite the good showing made by his administration, he was unseated in 1954 by a dissident stockholder group headed by Mr. B. W. Heineman who resigned the Chairmanship of the Minneapolis & St. Louis earlier this year to take on the more challenging problem of cleaning up the Chicago & North Western situation. It is interesting to note that the records of the Sprague administration have not since been improved upon as to either the operating ratios or the earnings of the Minneapolis & St. Louis and it will be interesting to await the results of the rather sweeping management changes that were made in 1955. The new President was formerly Vice-President and General Manager of the Chicago & Eastern Illinois, the new Vice-President of Operations was formerly a divisional superintendent of the Great Northern and the Chief Engineer was formerly Assistant to the Chief Engineer of the Burlington.

In company with other roads in the Northwestern District, the Minneapolis has shown an underaverage revenue gain thus far in 1956. The gain of only 2.6% for the first nine months was partly due to the setback in September, revenues for which were 10.3% under those of the 1955 month. But even so, net income for the first nine months of this year amounted to $1.91 per share as against $1.72 for the corresponding 1955 period. As a result, it is being estimated that 1956 full-year earnings may be close to $2.75 per share as against $2.39 for the 1955 year.

This provides ample protection for the $1.40 annual dividend rate which has been maintained on the present shares since the distribution of the 33⅓% stock dividend in July, 1954. At the current price of about 23 this dividend produces a yield of approximately 6.1% which is admittedly not easy to justify in view of almost equal yields on such leaders in quality and growth as the common stocks of the Santa Fe and Union Pacific, for instance.

One point might of course be the preference of many conservative investors for a rail stock that is part of what can be figured as the lowest capitalization per mile among Class I roads, and in which capitalization funded debt is a minor element. At the 1955 year-end total funded debt of $6,984,884 consisted of the $807,955 balance of the institutionally-held first mortgage on the road's general office building and $6,176,929 equipment obligations. This debt represented only 21.6% of total capital and surplus including debt capital and amounted to but $23,200 per mile on the 1,397 miles of road owned. Excluding the equipment obligations, which are a lien on the subject equipment and not on mileage, the net capitalization per mile would be reduced to $18,750. The right of way itself is debt-free, since the $807,955 mortgage debt referred to above is a lien solely on the road's Minneapolis office building.

Continued from first page

Savings Banks Now At a Crucial Crossroads

keeping innovators among bank officers in line, or at least out of sight.

Before I voice my thoughts as a realist considering the future mission of savings banks, maybe I should first mention a negative proposition.

Savings banking has no function any longer, some people will say to you; it is an anachronism; it should be done away with. Have not commercial banks increasingly entered the thrift business? Do they not, in increasing numbers, pay interest rates approaching those of savings banks? And savings and loan associations, these savants assert, are specialists in thrift whose superior ability is proven by the higher interest rates they pay compared with savings banks.

Here these fellows stop, with a look that says: whatever your comeback, it better be good!

Mutuals Do Not Deprive Commercial Banks

Well, for one thing, I would like to observe that it is absurd to say that your function deprives commercial banks of money needed for business loans. One could say with as much logic—or as little—that commercial bank acceptance of thrift deposits reduces total funds available for real estate loans. The plain fact is that credit supplied by any segment of the banking industry is as much the lifeblood of business as credit supplied by the others.

However, that modern times have overtaken the original philosophy of savings banks is a fact with which many of you would agree. But here we are, in 1956, with a $20 billion industry in New York State. This is an industry, I submit, which none of us has the slightest mandate to dissolve. No model blueprint of an ideal banking structure permits us to wipe mutual thrift banking off the slate, so as to rewrite the financial history of the last 150 years.

This savings banking, this $20 billion industry in New York State, this institution that millions of people know and entrust with their savings, regardless of other channels and opportunities, is a force we must preserve. That is my answer to your critics.

So much said, we must grasp the nettle and ask ourselves: what is wrong with savings banking today?

What's Wrong With Savings Banking

It is not simply that commercial bank and savings and loan association growth have deeply invaded a province that was formerly almost exclusive to savings banking. Time has rung down the curtain on a whole era of American history. Exit the poor immigrant, the thrifty laborer, the helpless widow—enter the bricklayer at $4 an hour, with union welfare plan and Social Security part of his way of life. The reason why savings banks are no longer being chartered is not just the passing of large fortunes through inheritance and income taxes. It is simply that philanthropy has turned to more pressing needs than to establish havens for small savers.

The question before us is this: Can we recreate savings banking in the image of today? If the answer is yes, we must bring to it all that still remains strong and vital in savings banking and cast off those features that belong to a long dead past.

A New Cause

First, for a new cause, a cause to which savings banking can rededicate itself. As I see it, that cause should center around the financial welfare of the average man. Nothing less than to be the premier service center for the financial needs of Joe Smith—why cannot that be the core of savings banking? This mythical fellow—the common man we used to call him—is coming up in the world. What he saves—even though he should save more—and what he borrows, represent respectable sums. The fact that savings banks traditionally have served the mass market, and have no really large accounts able to claim a first lien on their affections, should have some appeal to him. How then can you serve him best? Let me outline to you some ideas for a program. I offer it humbly as a starting point for your discussion and comments.

Family Loans

First, let me take up the subject of "family loans," loans to many of the same people you are proud to have as savings customers. Your committee, in its report of Sept. 6, discarded the idea of asking the Joint Legislative Committee to Revise the Banking Law for consumer credit powers. I wonder if this rejection was not premature. Maybe some members of the Committee shared this feeling because in their recommendation they stated that savings banks are "willing to perform the service, as a public service, if the Legislature feels it to be necessary and desirable."

Why this hesitation about consumer credit? You savings bankers are unique in wanting to stand on the sidelines of this increasingly important and lucrative field.

Remember that the average family today, the family which you should serve, goes through a number of cycles of borrowing and savings. Take the typical young family just getting started, just establishing a home.

At the same time that it builds up savings of various kinds, its borrowings are greater than its savings. As these people grow older and their children grow up, however, this position reverses and they become net savers, making their savings available for a younger generation.

Under present conditions this is an excellent time for savings banks to reexamine their role in family credit. Commercial bank credit is taut. All lenders are pulling in their horns to live within their means. Borrowers are forced to make more stops before they get the money which they need. And naturally, many rediscover their neighborhood institution—you, for example.

Are you sure you should continue to surrender family credit, this great field that affects practically everybody in the State? Do you have the right to deny your neighbors friendly, local hometown service? If people cannot turn to you in their hour of need, if it is no concern of yours every time a family has to borrow to pay a doctor bill, or buy a new washing machine, or what-have-you, is it any surprise if you lack grassroots support?

One look at the balance sheet of any active savings bank in New York State today will tell you that you are waist deep in mortgage lending which is nothing less than extending credit to young families. Are you going to argue that mortgage lending is "contrary to your thrift function?" Is there such a great difference between buying a home and, say, buying an automobile or a freezer or an air-conditioner?

Having mentioned family loans generally, I should like to call your attention to a special field of consumer credit which has been open to you for the better part of a generation. I refer to FHA Title 1 home modernization loans. Although the power to make such loans has rested on the statute books for years, as of last Jan. 1 less than half the savings banks in the State held any loans of this kind and only three banks out of 129 held as much as $1 million worth. Nor do the reported figures tell the whole story, for some of this paper is purchased rather than originated, and someone else actually performs much of the work in serving the public.

Here is a field you could do well to develop more than you have. If certain skills or familiarities are needed, it is the job of progressive management to see that they are acquired. But the most important thing is for you to make the public well aware of the fact that you are ready to render service through every avenue the State has opened up for you.

Life Insurance

I can quickly introduce my next thought by saying: everybody ought to have life insurance. You cannot argue with the fact that a certain minimum amount is highly desirable, at least to meet today's high cost of dying. To provide a basic amount is exactly why savings bank life insurance was set up. The thought originally was that the average person would purchase a modest amount of life insurance over-the-counter if it was offered to him in convenient fashion.

Yet look at the record—savings banking has a long way to go before its volume will make any sort of a dent on the total life insurance market.

At present the maximum policy amount is $5,000, a limit which savings banks have not asked to raise for eight years.

Why this lack of enthusiasm among so many of you? I am sure this negative attitude is in great part responsible for the unprepossessing results of your industry in this field. Such an attitude, by management as well as trustees, stands in sharp contrast with the need for insurance among middle and lower income groups, the bulk of your depositors. Here is a great power, a great field for activity going uncultivated.

The savings banks' showing in insurance has been influenced, I freely admit, by limitations imposed on advertising. Meanwhile, I understand that the insurance industry has been critical of you for not spending more on publicity. According to this view, you are content to capitalize on the acceptance of life insurance created through the insurance industry's efforts and borne at its financial cost. Let me say that I, for one, am perfectly willing to see savings banking assume a greater share in publicizing life insurance—by telling people about policies available at their nearest savings bank!

I see no conflict between savings bank and other life insurance. In the first place, it will take a long time before a majority of people will buy even a minimum policy without an agent's urging. Moreover, as people rise in the economic scale, they need and invariably purchase more insurance than savings banks can or should provide. With no real conflict existing, you should have no inhibitions about going out and really making good with this power the Legislature has assigned to you.

New Types of Savings

Another area that I would like to open up for discussion has to do with new methods of merchandising savings. I am not talking now about such interesting different, old ways of tapping savings through the use of raffles, lotteries and other speculative devices. But this is an age of boxtops, coupons and green stamps. Youngsters can hardly wait to dive to the bottom of their box of crispy, crawly corn flakes to get their tin-whistles or space goggles. Even some of us, at least our wives, bless them, are attracted by premium coupons and stamps.

Where is the incentive for my own children to make regular weekly deposits in their school savings accounts? I have yet to see an attempt by a savings institution to turn this national craze, in itself a form of thrift, to its own beneficial ends.

In my thinking about new ways of stimulating savings, I am not overlooking the prospect of entirely new savings plans.

Savings and loan associations in England, and to some extent in this country, offer both deposits and shares, at appropriate differentials in rates.

You and I have long been thinking about ways of rewarding the true long-term saver. The last time I talked to you I advocated split dividends as a practice worthy of adoption in the industry. What I am putting before you today, like my earlier proposals, is not a recommendation, but only a basis for some new thought about modern savings bank functions. Possibly savings banks could devise a plan whereby they could offer different classes of accounts. Terms might be long and fixed and withdrawals subject to prior notice.

I am sure many variations could be played on this same theme. But it is not my function to present you with a ready-made plan, complete in all details. What I am trying to do is to put this idea on the table because I feel it deserves open and vigorous discussion.

Local And Out-of-State Lending

In the matter of new investment powers for savings banks, the Banking Department has had extensive experience. In most cases where new powers were granted, they were used with circumspection and to the benefit of both the borrowing public and savings bank depositors. Where savings banks are given the authority to lend outside New York State, they have continued loyally to give their home community preference. This is as it should be for, like all practical bankers, you follow the order of investing bank funds by first acquiring adequate liquid assets, then making loans in your own areas and, finally employing any deposits left over in the best investments available.

At the same time, however, I do propose to all banks active in the out-of-State mortgage field that they establish what I would call a "local loan department." See to it that this department is kept adequately staffed and amply supplied with funds, and let your local people know that there is this place where they are welcomed and expected whenever they need to borrow money on a real estate mortgage. No doubt many of you are, in effect, working along these lines but I suggest that a more clear-cut delineation between local and direct lending and out-of-State investment would be helpful to you. We have accepted and developed "over-the-counter" life insurance, let's not lose sight of direct dealing with mortgage borrowers.

Recently, your industry put before the Joint Legislative Committee a set of proposals for still wider investment powers which will receive careful study by my department as well as the Committee itself. These proposals lead me to a brief critical observation but one which I intend to be constructive.

Wants Proposals Documented

Time and again spokesmen of your industry have come to me proposing changes in the law without much, if anything, in the way of factual data to back their suggestions. But the law is not changed as easily as all that.

Executives, public servants, legislators are all expected to make their decisions on the basis of all the available facts, past and present. In the Banking Department, we will give your proposals sympathetic and intelligent consideration, and we have no intention of setting up unreasonable research requirements as a roadblock to change, but we must suggest that your proposals be adequately documented. In doing so you will be making matters a lot easier not only for us but also for yourselves.

The history of banking legislation in the United States, and various individual States as well, is one of backing and filling between emergencies. As a result, leadership in banking has been out of your hands much of the time. Should a fellow wait until his house is on fire before ordering an extinguisher or taking out insurance? Of course not! Neither should you wait for an emergency to occur before asking for a change in your laws or powers. By that time the initiative will have passed to the Legislature and the banking supervisor. The time to put your house in order is in peace, not war.

Branches

Now then, while in the midst of blueprinting a new type of savings banking, what about adequate branch powers for your mutual institutions? Today, that means easily accessible branches.

It would be premature on my part to outline my Department's position on branch powers, which, after all, concerns not only you but all other banking organizations. I will say, however, that there is merit in the thesis which holds that it is logical for banking institutions to follow their customers in the suburban movement.

Organization of Savings Banks

And now, no discussion of the future of savings banking would be complete without reference to the organization of savings banks, and particularly to the existence of what your critics call "self-perpetuating" boards of trustees.

If commercial bankers accuse savings banks of having self-perpetuating boards of trustees, I see no reason for blushing. The trustee system of managing savings banks has given your industry a proud record of integrity and safety in managing other people's savings. The high standards of conduct expected of savings bank trustees are written not only on the statute books but in the State Constitution itself.

Being appointed a trustee of a savings bank has always been a high honor. It has called for men of unquestioned integrity. Socially, it is a distinction. Yet at the same time, and without disparaging savings bank trustees in the least, I submit that although this leadership affords much in the way of necessary trustworthiness and conservatism, it need not be lacking in a bent for innovation and spirited outlook on business.

It should be noted, however, that anyone who is a trustee of other people's money has a vital interest in the manner in which his co-trustees are selected. If his companions insist on policies conflicting with his own sense of responsibility, he has no choice but to resign. If there is to be any change in the trustee system, we must make sure that the new method also embodies the maintenance of high standards of moral responsibility and business competence. Meanwhile, our examiners have been told that the manner in which vacancies are filled is a proper field of inquiry on their examinations and that they should file full reports on what they find.

And, by the way, there is probably no compelling reason to depart from the mutual form which has served depositors so long and so faithfully. As the experience of savings and loan associations shows, the mutual form in itself is no obstacle to the establishment of new institutions. In fact, mutuality as applied to banking and insurance has repeatedly shown aspects of the greatest strength and stability. A further, and often demonstrated, virtue of mutual organizations has been a rare and praiseworthy willingness to put the public interest first, ahead of all purely business considerations.

Federal Charters

Four years ago one of your number publicly discussed the pros and cons of Federal charters for savings banks.

I, too, have been thinking about Federal charters for savings banks. If you believe in the dual banking system, as I do, there is virtue in an institution having access to another chartering authority. It is a check on arbitrary or capricious supervisory policies. But Federal charters, I submit, are no panacea for any difficulty of savings banking today. That difficulty as I see it is a loss of functions to outside competitors, without any new revitalizing functions being brought up to take their place.

We are not alone, by the way, in rethinking the savings bank idea. I note in passing that Sweden last year changed its laws to permit savings banks to accept checking accounts up to certain limits.

And so I come to the end of my discussion. If any ideas have not found general agreement among you, I hope that my central theme—a search for a new and more useful savings bank system—will have struck some fire among you.

Yet, I am no partisan of savings banking any more than I am a partisan of commercial banking and savings and loan associations. If you want, I am intensely partisan in favor of all three—particularly, of course, when they are State chartered.

We have seen commercial banking expand and take on new functions and serve the public well. I applaud loudly.

We have seen savings and loan associations grow and prosper and reach a new maturity in outlook and policy. Again I applaud loudly.

What we have in this great banking community of ours in New York State is not at all—as some would have it—an overlapping or duplication of services. From the standpoint of the public it is a rich and varied choice of institutions, each specializing but also competing intensely for patronage.

Our new bank buildings, our catering to depositors and borrowers, our race to mechanize and make things more convenient for our employees and customers are wondrous to all those who come from abroad. Especially impressed are travelers from those countries where a handful of institutions, secure in power and position, look serenely down upon the multitudes. That is not for us. Ours is a harder life, but it is the kind of life that keeps us young in spirit and young in ideas. That is our heritage and our patrimony. It is the price of free banking. It is, if you will, America at its best.

Continued from page 5

Current Popular Delusions About The Stock Split and Stock Dividend

to reflect, you will realize that it frequently entails what is in reality a stock's self-propelled price pyramiding. First, rumors of an impending split raises the price; then after the rise, if there is no split the "high price" is in turn cited as reason for a needed split which in turn sets off another anticipatory price rise.

The Utilitarian Tests

But so much for theory! Let us see how splitting affects you in actual practice. It is so staunchly defended on the twin assumptions that a reduced market price both raises the market's valuation, and that it spreads the ownership. Supposedly it broadens the market and intensifies the public's demand for the stock, resulting in a significant price rise.

But both of these assumptions are completely invalidated by recent thorough, objective, and authoritative studies of the actual operating results.

The Dividend, Not Split, Controlling

Both a private study, and a survey by C. Austin Barker, Manager of Research with the Cleveland Electric Illuminating Co.[1] show that a split does not result in any permanent price rise. The data covering the preceding 10-year span show that while a price rise generally occurs between the time of the rumoring of a stock's split or its actual announcement, and the date of its becoming effective, thereafter the continuing market price effect directly depends on the dividend policy. Even midst the recent bull markets, where the dividend increase was less than the respective industry's average, three months after the split the price declined below the pre-split level.

Ownership Not Accelerated

And regarding the alleged spreading of ownership, the data likewise show that while the growth in the number of shareholders usually becomes accelerated immediately following a split, such growth decreases to the pre-split normal growth rate within three years after the operation. DuPont and American Telephone are only a few of the important examples of un-split high-priced stocks showing a *greater*-than-average growth in shareholders. And bear in mind the recent gigantic offering by the Ford Motor Co. with its quickly garnered 319,000 stockholders in the face of the widespread plaints that the $64 price would discourage the public's appetite.

Price Behavior Illusion

Likewise an illusion is it that low-priced stocks act better than high-priced stocks. A study of market action during the calendar year 1955 by Harold Clayton of Hemphill, Noyes & Co., members of the New York Stock Exchange, shows that issues priced at $70 and over advanced by an average of 25%, the $40-50 issues by 22%, the $30-40 stocks by 11%, the $20-30 shares by 8.9%, the $10-20 units by only 3%, with the $1-10 issues declining by 1.8%. (The Dow-Jones Industrial Average and the Hemphill, Noyes over-all index both rose by about 20% during the period.)

Commission Expense Differential

Affirmatively, splitting of a stock in which you are interested will hurt you in the differential between the brokerage commissions you pay, both as a seller and a buyer. For example, in the event of a 10-for-1 split in beleaguered American Telephone now selling at 170, the commission on a 100-share lot, which now is $50 would be raised to $220 on the equivalent 1,000 split shares at 17.

It may be held that the stock split craze is reprehensible on "moral" grounds, in that it feeds on the public's misconception of its true nature. But it seems to me to be unnecessary to dwell on this phase. For there is a full basis for alarmed opposition on the practical ground of our demonstration that the financial community is creating a speculative Frankenstein which must ultimately result in disillusionment and deflation.

* * *

A Family Relation—The Stock Dividend

So much for the stock split. Let us now similarly take a look at its first cousin, the stock dividend; remembering that a splintering-off of 24% or less constitutes a dividend instead of a split.

Dividends are paid in stock instead of cash most often to conserve cash and capitalize future earnings. This is highly useful and legitimate when a growth or otherwise expanding company can profitably use ploughed-back earnings.

All this is eminently OK provided there is no misunderstanding on the part of the receiving stockholder as to what he is really getting. But unfortunately such misunderstanding is widespread.

He should realize that the stock dividend, like the stock split, merely changes the printed form of ownership, what was formerly 100 shares has merely become 110 *smaller* shares, that income is not so constituted, that if he sells the dividend for cash his remaining holding represents a diluted share in the property, and that his taxes are not thereby reduced.

It seems to me that the stock dividend paying company has the obligation to make this crystal clear to its stockholders on the receiving end.

* * *

Stock Rights

Related to the split and the stock dividend in much of their workings, although more difficult to delineate and calculate, is the stock *right*. This instrument usually comprises the evidenced privilege given an existing shareholder to subscribe to an additional stock offering at less than the existing market price, to protect his investment position in the company.

Thus, the prospectus announcing the American Telephone Company's epochal offering, coincidentally expiring today, contains the following preliminary legend:—

"CAPITAL STOCK (COMMON)"
"(Par Value $100 Per Share)"

Stockholders of record at the close of business on Sept. 14, 1956 are being issued Rights to purchase the shares hereby offered in the ratio of one new share for each 10 shares then held. An assignable Warrant is being sent to each such stockholder, evidencing the total number of Rights to which his stockholdings entitle him (one Right for each share held). The Rights will expire on Nov. 5, 1956 if not used on or before that date.

"PRICE: $100 PER SHARE"

The market price of the outstanding shares is 170.

You see that thus the share owners have been given the opportunity to invest additional money through exercise of their pre-emptive right to maintain a proportionate ownership in the business. If a shareholder chooses to sell his rights he is (as in the case of a stock dividend) merely disposing of a portion of his ownership in the business at a price directly related to the market price. Before the issuance of rights he had a share of stock which had a market value of $180. Immediately after the issuance of the rights, he had a share of stock and a right which, together, had a market price of approximately the same amount. This is simply pointing up the fact that the value received from the sale of a right it not an additional payment to a shareholder but simply the receipt of part of what he already owns. However, the amount received from the sale of rights should be deducted from his original investment, thereby giving him a higher rate of return—assuming the pre-existing $9 dividend is still maintained.

Rights have been offered to ATT stockholders on eight different occasions thus far in the post-war period. We see that the stockholder who chose to dispose of these rights reduced his original investment in the business, but was able to realize a slightly higher return.

Shareholder Impact

Here is a summary of the general net effect on the subscribing and non-subscribing stockholder under various alternatives:—

(1) Where the outstanding stock is selling at a "discount," that is, below its equity value, the stockholder who does not exercise his rights to subscribe to a new stock offering suffers a dilution of his equity.

(2) Where the outstanding stock is selling at a "premium," that is, above its equity value, the non-subscribing shareholder not only escapes dilution, but enjoys a net overall gain on the transaction.

(3) The subscriber in "discount" (market price below asset value) situations comes out even.

(4) The subscriber in "premium" (market price above asset value) situations escapes dilution and comes out even.

(5) The shareholder who subscribes thereby protects himself in each situation.

(6) Where, as typically with ATT, the old dividend is continued on the new capitalization, the subscribing shareholder gains the boon of an increased dividend yield on his equity.

Management's Position

From the *management's* viewpoint, rights offering combines the double purpose of giving a slight boon to the existing shareholders, who have been deprived of a dividend rise throughout the years; and is at the same time constructively raising needed capital.

[1] Published in the *Harvard Business Review*, Jan.-Feb. 1956.

Joins Security Planning

(Special to The Financial Chronicle)

WEST PALM BEACH, Fla. — Hy Bloom, Harold N. Bowser, John M. Engel, Pierre B. Nobs and Stuart E. Taber are now with Security Planning, Inc., Harvey Building.

With Hamilton Managem't

(Special to The Financial Chronicle)

LINCOLN, Neb. — Charles Bohart and Ralph J. Phillips are now with Hamilton Management Corporation.

Now Haberman Bros.

Effective Nov. 1 the firm name of Paul H. Haberman & Co., 501 Fifth Avenue, New York City, members of the New York Stock Exchange, was changed to Haberman Bros.

Fosler Elected Governor of NASD

SAN FRANCISCO, Calif.— Thomas G. Foster, Jr., Sales Manager of the San Francisco office of Merrill Lynch, Pierce, Fenner & Beane, has been elected to the Board of Governors of the National Association of Securities Dealers. He succeeds Harold P. Schlemmer of Schwabacher & Co., San Francisco.


Thos. G. Foster, Jr.

Mr. Foster entered the securities business in 1924 after graduation from the University of Kentucky. He was with Illinois Merchants Trust Co. and Foreman State Bank, both of Chicago, a partner in Holton, Foster & Co., Lexington, Ky., prior to service as a Staff Intelligence Officer for the Commander of the Western Sea Frontier, San Francisco, during World War II. He was separated with the rank of Commander. He became associated with Merrill Lynch in 1945.

Merl McHenry, J. Barth & Co., San Francisco, was elected a member of NASD's District Committee No. 2 (California and Nevada).

Also elected to NASD's District Committee No. 2 were: Ralph E. Phillips, Jr., Dean Witter & Co.; Robert C. Hill, Hill, Richards & Co.; and Dwight C. Baum, Eastman Dillon, Union Securities Corp.; all from Los Angeles.

They will succeed the following, all also from Los Angeles: Frank Dyer, Jr., Wagenseller & Durst, Inc.; Willard G. DeGroot, Bateman, Eichler & Co.; and Lewis J. Whitney, Jr., Dempsey-Tegeler & Company.

Chicago Analysts to Hear

CHICAGO, Ill. — Joseph L. Block, President of the Inland Steel Company will address the luncheon meeting of the Investment Analysts Society of Chicago to be held Nov. 8 in the Adams Room of the Midland Hotel.

Foster Bros., Weber Co. Opens Mansfield Branch

MANSFIELD, Ohio — Foster Bros., Weber & Co., members of the New York Stock Exchange, have opened a branch office in the Richland Trust Building under the Management of Ralph O. Wise.

Form Hogan Secs. Corp.

(Special to The Financial Chronicle)

HOLLYWOOD, Calif. — Hogan Securities Corporation has been formed with offices at 6630 Sunset Boulevard. Officers are Arthur B. Hogan, President; Tony Garat, Vice-President; Helen W. Hogan, Vice-President and Treasurer; and June Jardine, Vice-President and Secretary. Mr. Hogan is President of Arthur B. Hogan, Inc.

Bertram Jones Co. Formed in St. Louis

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Bertram V. Jones is engaging in the securities business from offices at 407 North Eighth Street under the firm name of Bertram V. Jones & Company. Mr. Jones was previously with Bankers Bond & Securities Co.

Bayard C. Hoppin

Bayard C. Hoppin passed away Oct. 31 at the age of 72 following a brief illness. Mr. Hoppin was senior partner and a founder of Hoppin Brothers & Co. of New York.

Chase Manhattan Bank Offer Underwritten by First Boston Group

The Chase Manhattan Bank is offering its capital stockholders rights to subscribe at $47 per share for 1,000,000 shares of new capital stock, par value $12.50, on the basis of one new share for each 12 shares held of record Nov. 15, 1956. A group headed by The First Boston Corporation will purchase any unsubscribed shares at the termination of the offer on Dec. 5, 1956.

The bank, with total resources as of Sept. 30, 1956 in excess of $7,300,000,000, deposits of close to $6,500,000,000 and capital funds of $534,000,000 is one of the three largest commercial banks in the United States. It has a large branch system including 93 offices in Greater New York, 35 of which are located in rapidly growing Queens County. In addition, there are 19 overseas offices.

The result of a merger last year of two of New York's oldest and largest banks, Bank of the Manhattan Company, chartered in 1799 and The Chase National Bank of the City of New York, chartered in 1877, Chase Manhattan reported total operating income of $154,976,000 and net operating earnings of $35,480,000 for the nine months ended Sept. 30, 1956 compared with total operating income of $133,324,000 and net operating earnings of $31,563,000 for the same period of 1955.

Prior to the merger, the Chase National Bank had paid dividends in every year since 1879 and the Bank of the Manhattan Company, with the exception of six years in the 1840's, in every year since 1799. Following the merger, quarterly dividends of 55 cents per share, equivalent to an annual rate of $2.20 per share, were paid; on Oct. 3, 1956, however, a quarterly dividend of 60 cents per share, equivalent to an annual rate of $2.40 was declared. The directors of the bank believe that, unless there is a marked change in conditions, an annual dividend rate of $2.40 can be maintained on the 13,000,000 shares to be outstanding after this financing.

With Louis C. McClure

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla.—Mrs. L. Blanche Bowen and L. Elmo Lanford have become associated with Louis C. McClure & Co., 617 Madison St. Mrs. Bowen was formerly Coral Gables Manager for James H. Price & Co., Mr. Landford was with H. Hentz & Co.

With F. I. Du Pont

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla.—Mary B. Shaeffer is now with Francis I. du Pont & Co., 212 Datura Street.

Joins Salomon Bros.

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla.—James P. Watson has become associated with Salomon Bros. & Hutzler, Pan-A Building.

Joins Barclay Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James R. Janssen has become associated with Barclay Investment Co., 208 South La Salle Street. He was formerly with J. Logan & Co., in Pasadena, Calif.

Joins Gage Wiley

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass. — Harold L. Davenport has joined the staff of Gage-Wiley & Co., Inc., Third National Bank Building. Mr. Davenport was previously with Lloyd D. Fernald & Co., Inc.

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The State of Trade and Industry

ers is just one example. The heavy backlog of freight car orders is another. Even though the odds are against government controls to support these and other urgent programs, heavy tonnages of steel would have to be channeled to them—in one way or another.

Domestic demand gives no sign of easing and the trend is the other way. And automotive is set to provide the kicker. The oil and gas industry is clamoring for all the tubing it can get—and complaining that steel shortages have been a handicap to them during the last 10 years.

Export demand is strong, but foreign consumers have little chance of obtaining more than nominal shipments from U. S. producers. One mill has turned down a British order for 50,000 tons of bars. A step-up in foreign oil operations has virtually cut off imports of oil country goods urgently needed by U. S. oil producers.

Many heavy demand patterns will converge on the steel industry during December and the first quarter. Incoming orders are running as much as 10 to 15% ahead of capacity in some firms and that figure is expected to move up in the coming weeks.

Mills are doing all they can to weed out excess or duplicate tonnages. Orders actually getting on the books represent down-to-earth business with all the water squeezed out. They represent probably half of what could be booked if mills wanted to open the floodgates.

With it all, the steel industry is in no danger of raw material shortages. Manganese supplies are believed ample when stockpile tonnage is included. Iron ore is no problem. Tin might present some problems, but not in the immediate future.

13% Car Production Gain Scheduled This Week

"Ward's Automotive Reports" is on record that a 13% gain in car production is scheduled by U. S. factories as programming reached the highest level since mid-April.

The "Ward's" production estimate for the week ended Nov. 9 is 133,000 automobiles contrasted to 117,583 the previous week. Truck output was forecast at 21,772 units compared with 18,837 in the earlier period.

Ward's noted that auto production is not yet trouble-free, although the rate has stepped up to 25,000 shipments daily to domestic dealers. Parts shortages and tooling problems still plague smooth assembly operations at some plants.

While November car output is not likely to attain the scheduled 648,000 units in the U. S., "Ward's" said that it should hit between 575,000 and 600,000. This would mark a near 50% boost over October's 388,922 completions and indicate possibility of a 650,000-plus December volume, and an entire 1956 total of between 5,850,000-5,900,000 cars.

Car production, in the week ended Nov. 9, revealed the first "normal" distribution of industry production since model change-overs began last August. General Motors scheduled 50.5% of output, Ford Motor Co. 30.1%, Chrysler Corp. 15.5% and American Motors and Studebaker-Packard combined 3.9%.

"Steel" magazine believes that the U. S. can use its awesome steekmaking capacity as a deterrent to war.

It said that armed with 40% of the world's steelmaking capacity, we can outproduce any other nation, despite the six-week strike, we will probably make about 114.5 million tons this year.

Russia, the second largest producer of steel, and presumably she was operating at capacity, made 49.5 million tons of ingots in 1955. If her production continues to increase at the rate it has the last seven years, Russia will turn out around 53.5 million tons in 1956.

The Arab Nations and Israel have no steelmaking capacity, the national metalworking weekly pointed out. Russia has been supplying the Arab bloc.

United States capacity to make steel for ingots and castings will near the 132-million ton level by Jan. 1, 1957, according to the magazine, which is 33% more than we had at the start of the Korean War six years ago (99,392,800 tons) and 60% more than at the beginning of World War II 15 years ago (82,839,259 tons).

Third and fourth places in world steel production last year went to West Germany and Great Britain, West Germany produced 23.5 million tons, Great Britain's yield was 22 million tons, France was fifth with 13.7 million tons.

Extended closing of the Suez Canal would seriously hamper Great Britain. The closing restricts movement of iron ore and oil to Britain and steel and iron products being shipped to the Middle and Far East. Since British steel is the nation's largest consumer of oil, cutbacks in that fuel will hamper steel production.

The world crisis may affect order placement in the U. S., according to "Steel."

Before the international situation boiled over, buyers of the more plentiful forms of steel were becoming increasingly cautious in their ordering. The disturbed world condition and the possibility of steel price increases are prompting some buyers to take a close look at their steel supplies.

Not much can be done about plates, structural shapes and oil country tubular goods. Production of them is already booked up for many months ahead. Except for them, steel inventories average about a two-month supply at current rates of usage. A slight amount of inventory accumulation took place in October.

Demand for steel by auto producers is still a question mark. Auto makers feel the demand for new cars is greater this model year than last. But production and supply difficulties have prevented them from capitalizing on it. Retooling and deficiencies of parts have dampened production.

A "Steel" survey on car production in 1957 turned up a conservative estimate of 6.5 million, compared with 6 million this year. Estimates: General Motors Corp., 3,360,000 new cars; Ford Motor Co., 1,882,000; Chrysler Corp., 1,055,000; American Motors Corp., 120,000; and, Studebaker-Packard Corp. (excluding Packards), 85,000.

In the week ended Nov. 7, "Steel's" arithmetical price composite on finished steel remained at $137.48 a net ton. Its composite on steelmaking scrap rose to $59.17 a gross ton from last week's $58.67.

Demand in the week ended Nov. 11 kept steel production operating at 101% of capacity (2,486,512 net tons), down 0.5 point from last week.

Trend to Bigger Open Hearths Seen as Major Factor In Capacity Growth

The American Iron & Steel Institute announced that the open hearth steelmaking furnaces, which last year accounted for 90% of the nation's steel production, are getting bigger and better, according to a study of 29 companies, made by the Technical Committee on Open Hearth Steelmaking Practice of American Iron and Steel Institute.

The companies' combined open hearth capacity is 107 million net tons annually, or 95% of the total open hearth capacity in this country.

The study revealed that the companies have 204 open hearth furnaces capable of heats of more than 225 tons each, compared with only 30 such giants in 1947. Conversely, the number of small furnaces has declined. In 1947 there were 39 furnaces tapping less than 100 tons per heat. Now there are only five.

Economy is the main reason behind the increase in furnace sizes, primarily because larger furnaces in proportion to capacity, cost less to build and maintain than smaller ones.

Car Loadings in Week Ended Nov. 3, Declined 2% Under the Prior Period

Loadings of revenue freight for the week ended Nov. 3, 1956, decreased 16,531 cars or 2% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Nov. 3, 1956, totaled 800 272 cars, a decrease of 3,989 cars or 0.5% below the corresponding 1955 week but an increase of 104,246 cars, or 15% above the corresponding week in 1954.

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. 10, 1956, was estimated at 11,522,000,000 kwh., an increase above the week ended Nov. 3, 1956, according to the Edison Electric Institute.

The past week's output rose 35,000,000 kwh. above that of the previous week; it increased 644,000,000 kwh. or 5.9% above the comparable 1955 week.

Business Failures Down in Election Week

Commercial and industrial failures declined to 219 in the week ended Nov. 8 from 271 in the preceding week, reported Dun & Bradstreet, Inc. At the lowest level in eight weeks, the toll nevertheless remained above the 207 a year ago, although it dipped slightly below the 227 in 1954. Casualties were down 19% from the 269 occurring in the comparable week of 1939.

Failures with liabilities of $5,000 or more fell to 194 from 231 last week, but exceeded considerably the 161 of this size a year ago. Among small casualties, those involving liabilities under $5,000, there was a decline to 25 from 40 in the previous week and 46 in 1955. Twenty-one businesses failed with liabilities above $100,000 as compared with 10 a week ago.

All industry and trade groups had fewer casualties during the week. The retailing toll declined to 112 from 137, wholesaling to 15 from 22, construction to 36 from 46, commercial service to 18 from 26, and manufacturing dipped to 38 from 40. Failures among manufacturers, retailers, and construction contractors remained above last year's level, but a slight decrease from 1955 prevailed in the wholesale and service trades.

Retail Consumer Buying Steady

Despite numerous Election Day sales promotions, unseasonably warm weather this week held retail trade at the level of the previous week; consumer buying slipped somewhat below that of a year ago. Volume in apparel and major appliances was moderately reduced, while sales of new automobiles continued to expand.

The total dollar volume of retail trade in the week ended Nov. 7 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 and Middle West —4 to 0; East —6 to —2; South and Southwest —3 to +1; Northwest —2 to +2; Pacific Coast +2 to +6.

Wholesale Commodity Price Index Affected By Middle-East Crisis Turned Upward in Latest Week

The general commodity price level turned upward the past week as the tense political situation in the Middle East and elsewhere broadened. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., advanced to 294.32 on Nov. 5 from 293.58 a week earlier. It compared with 274.32 on the corresponding date a year ago.

Grains were generally firmer largely reflecting increased buying interest stimulated by developments in the Middle East. Also a bullish factor in wheat was the prospect for a short winter wheat crop and for heavy exports.

Snow and rain were reported in some parts of the winter wheat and corn belts but there were large areas still lacking relief from drought. Despite increased offerings, corn prices advanced in the latter part of the week influenced mostly by strength in other grains. Soybean prices moved sharply higher from the lows of mid-October, reflecting the International situation and strong demand in cash markets. Export clearances of soybeans in October were in good volume and exceeded those of a year ago. Activity in grain and soybean futures on the Chicago Board of Trade increased sharply last week. Average daily purchases totalled about 65,700,000 bushels, against 55,900,000 the previous week and 48,300,000 in the same week a year ago.

Purchases of hard wheat bakery flours continued in limited volume. Scattered bookings of Spring wheat flours occurred during the week as buyers protected against price advances but buying was largely confined to trade in pressing need of supplies.

Coffee prices held steady, with roaster buying on the light side as the immediate threat of a port strike was removed by the extension of the dockworkers' contract for another 15 days.

Cocoa prices finished higher following irregular movement.

Warehouse stocks of cocoa continued to decline and totalled 331,421 bags as against 339,144 a week earlier. At this time last year they were 235,503 bags.

Raw sugar in both the domestic and world markets rose to new highs for the season. Trading became more active as war tension in the Middle East mounted.

The lard market was nervous and irregular with closing prices slightly higher than a week ago. Hog prices turned upward following recent sharp declines.

Cotton prices were generally steady the past week. There was considerable firmness in the early part of the week as heavy short covering and new buying of futures were stimulated by the hostilities in Egypt. Constructive sentiment was aided also by the already bright export prospects for the crop year, which were believed by many in the trade to have been further enhanced by the Middle East situation. Entries of cotton into the CCC 1956 loan stock during the week ended October 26 reached a high for the season of about 305,000 bales. This drought total entries for the season through that date to 1,663,000 bales as against 1,495,000 bales to the same date last year.

Wholesale Food Price Index Marked By Mild Declines For 3rd Successive Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., went slightly lower for the third successive week to stand at $5.95 as of November 6, down 1 cent from a week earlier. This put the index at the lowest since March 27 when it was $5.89, and marked a drop of 0.8% from the year-ago level of $6.00.

Higher in wholesale cost last week were flour, wheat, corn, barley, butter, milk, cocoa, and hogs. Lower were rye, oats, lard, sugar, cottonseed oil, eggs, potatoes and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

According to the Federal Reserve Board's index, department stores sales in New York City for the weekly period ended Nov. 3, 1956, decreased 5% under those of the like period last year. In the preceding week Oct. 27, 1956, a decrease of 2% was recorded. For the four weeks ending Nov. 3, 1956, a decrease of 2% was registered. For the period Jan. 1, 1956 to Nov. 3, 1956 the index recorded a rise of 4% above that of the corresponding period in 1955.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Nov. 3, 1956, dropped 3% under those of the like period last year. In the preceding week, Oct. 27, 1956, an increase of 2% was reported. For the four weeks ended Nov. 3, 1956, no change was recorded. For the period Jan. 1, 1956 to Nov. 3, 1956, a gain of 4% was registered above that of 1955.

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Providing Thrift Service With Better Savings Banks

business, but when money is relatively plentiful and savings accounts begin to look more like a bother than a blessing, commercial banks are likely to turn their attention to more attractive fields. If the past has any lesson at all for us, it certainly should teach us this.

It is well known that most commercial banks discouraged thrift business for a long period during the Thirties. One very large New York City commercial bank that I know of discontinued all interest on thrift accounts in 1939 and did not resume paying any return at all to the saver until 1945. During those six years, the average annual rate paid to depositors by the savings banks of New York State never fell below 1.5%. Commercial banks really seem to qualify as the saver s fair-weather friend.

The Need for Habitual Saving

I maintain that if people are to adopt the habit of thrift, saving cannot be turned on and off but must be encouraged day in and day out, year in and year out. Lending such continuous encouragement is precisely the job of savings banks — the job, I sincerely declare, which savings banks in New York State have performed faithfully for 137 years. And so, for the good of the economy, for the good of the community, and, in the final analysis, for the good of the individuals who comprise the public, savings banks must continue to fulfill the high mission for which they were chartered.

I said "for the good of the individuals who comprise the public," and that brings to mind another factor which is bound to confound any who would like to eliminate savings banks. I refer, of course, to the simple fact that the people prefer to do business with savings banks. If it were otherwise, why would the savings banks of New York State, with one-sixth as many banking offices as the commercial banks, have four savings accounts for every thrift account in a commercial bank? Why would two out of three people in the state have chosen to do business with a savings bank? Why, at the recent hearings of the Joint Legislative Committee, would so many public witnesses have testified in favor of wider branch powers for savings banks while not one testified against us? The fact that the public is on our side — or, more correctly, that we are on the public's side—should not make us complacent in this fight for survival, but it is, nonetheless, a tremendously encouraging thought.

If some commercial banks wish to enter the savings field from time to time, we make no objection, even though it may sometimes seem to us that they are merely toying with what we consider a most serious business. However, when they suggest that savings banks have outlived their usefulness, we cannot, in good conscience, refrain from replying, "Nonsense!" Nor can we, in good conscience, fail to seek wider branch powers or any other legislative changes necessary in order for us to render the public service savings banks were created to render.

The Need for Savings

In all of the controversy surrounding the matter of savings bank branches, it is easy to overlook a point that is perhaps the most vital one of all—the importance of thrift to the individual and to the economy.

None of the economic changes that have come about in the last few decades, great as these changes have been, has altered the fact that thrift is necessary if people are to be independent, responsible, and self-respecting. If the day ever comes when personal thrift is obviated by government planning, the people will have surrendered their control of their own lives. I do not believe that Americans ever will become automations, managed by the state, and so I believe in the continued importance of saving.

Increased Mortgages and Savings Sources

The importance of thrift to the economy is obvious when one notes how rapidly the need for capital is increasing, due to accelerated population growth, rising standards of living, the wholesome spread of home ownership, and the huge investment in new plant and equipment required by modern technology. In 1955 alone, home mortgage debt expanded by $13 billion, a long-term corporate debt by $8 billion, and state and local government debt by $5 billion. These three groups of borrowers alone, then, required $26 billion in new capital last year, as compared with annual needs of less than $8 billion a decade ago.

Now, where is this needed money to be found? Dr. W. Randolph Burgess, Under-Secretary of the Treasury, said at the 1956 Convention of the National Association of Mutual Savings Banks, "We are looking to the savings institutions of America to help further the dynamic growth of our nation through the **encouragement of greater individual savings.**" The Economic Report of the President for 1956 says (and I quote): ". . . the surging demands for credit could be met from only two sources, first, an expansion of the money supply, second, current or past savings." (Unquote.) Excessive reliance upon expansion of the money supply, as was done to finance the Treasury's deficit during the Second World War, undermines the integrity of the dollar and brings all the evils of inflation. As the President's Economic Report goes on to say (and again I quote), "Confining credit to available savings is a protection against inflation in the future." (Unquote.)

Thus, if this nation is to enjoy a high level of production and employment and also continue to finance huge expenditures for durable goods by consumers and industry without creating inflation, we must achieve a higher level of savings than we have had in the past.

Are we doing this? No, we are not.

Savings Rate of Increase Is Decreasing

The savings that Americans keep with banks, savings and loan associations, credit unions, and in the form of life insurance, postal savings, and savings bonds showed a net increase in 1955 that was considerably smaller than the increase for 1954.

But let's bring it closer to home. The savings banks of New York State experienced very nearly the same net deposit gain in 1955 as during the two previous years. Our gain during the first nine months of 1956 was $718 million. During the same period last year our gain was $715 million. We do not seem to be forging ahead.

The commercial banks and the savings and loan associations in New York State are having the same experience we are having in this respect.

If we are to get people to save more, we must offer them more convenience. A study just completed by the Philadelphia Saving Fund Society shows that convenience is the number-one consideration that determines whether a person saves, how he saves, and where he saves. Convenience far outweighs such factors as a bank's size, physical appearance, age, rate of return, and many other factors that have long been cherished as equally important.

We are doing all we can do under the present law to make saving convenient. We are encouraging banking by mail; we are adjusting and extending banking hours to meet the needs of our customers and prospective customers; we are establishing new branches where possible; we are opening subway windows, sidewalk windows, and drive-in windows. And all of these developments are proving to be helpful. But the crying need is for branches in suburban communities where so many people live and shop and have no savings bank service.

I am confident that we will spare no effort in our attempt to give people the kind of thrift service they need and want and deserve.

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Continued Business Rise Forecast for Coming Year

it will reach 118 or above by the end of 1957.

(4) **Average Hourly Wages:** The economists were not asked for numerical forecasts on this subject, but were asked to state whether they thought the wage trend would be up, down or unchanged in durable and non-durable manufacturing and in building construction. The replies were overwhelmingly upward. For durable goods manufacturing, only five economists saw a downturn; ten felt there would be no change, and 200 said the trend would be upward. The pattern for non-durables was almost the same, with 190 forecasting an upward movement, 22 foreseeing no change and three indicating a downturn. Only in building construction did a sizable number question whether there would be an increase, but even here a large majority predicted rising wages; the figures were 166 up, 42 no change, and 7 down.

(5) **Industrial Production:** While the economists expected a moderate increase in Gross National Product, they do not, on the average expect any significant increase in industrial output as measured by the Federal Reserve Board's index of industrial production. This is not at all paradoxical when it is remembered that the G.N.P. figure is in dollars, while the industrial production index is in terms of physical output. The economists, on the average, expect G.N.P. to rise about 3%; they expect the wholesale and consumer price indexes to rise almost as much. The conclusion would seem to be that they expect the rise in G.N.P. to be largely inflationary; and therefore, consistent with this, they see no particular increase in physical output of industry. The median forecast is that the index will be 145 at the end of this year, and also throughout next year.

(6) **New Plant and Equipment Expenditures:** New plant and equipment expenditures in 1955 totalled about $29 billion, and the Department of Commerce estimates that business this year will invest a record-breaking total of about $35 billion. The economists in the survey are almost unanimous in expecting that 1957 will be another extremely high year for plant and equipment expenditures. Only five economists expect the 1957 figure to be as low even as last year's $29 billion; on the other hand, 149 economists expect that the 1957 total will be higher than this year's $35 billion. The average forecast is for plant and equipment expenditures of $37 billion next year, with about three quarters of the economists setting the figure in the range from $35 to $40 billion, inclusive.

(7) **Total New Construction:** Opinion among the economists is less unanimous on the construction outlook than it is on the other major indicators. The average forecast indicates a very slight rise in the value of construction put in place. During the first half of 1956 the annual rate was a little under $44 billion; the economists on the average expect it to go to $44 billion in the second half of this year, to $44.5 billion in the first half of 1957 and to $45 billion in the second half of 1957. The forecasts for the second half of 1957 tend to scatter widely, with substantial numbers at every level from $40 billion through $48 billion.*

(8) **New Housing Starts:** The economists are somewhat more in agreement on the number of new nonfarm housing starts to be expected next year. The total for 1956 will be very close to 1,100,000, and this is also the median forecast of the economists for both halves of next year. It is perhaps significant that few of the economists expect any sharp increase or decrease from this year's level; 75% place the annual rate during the second half of 1957 at 1,000,000 to 1,200,000.

(9) **Personal Consumption Expenditures:** Personal consumption expenditures have been steadily increasing in recent years, and the economists in the survey are practically all of the opinion that this increase will continue next year, at least to a moderate degree. In the first half of 1956, the annual rate of personal consumption expenditures was a little under $263 billion. Nearly 90% of the economists expect that the 1957 rate will be higher than that. The median forecast for 1957 is $270 billion, and a third of the economists set the figure at $275 billion or higher.

***It should be kept in mind that this is the forecast of the economists polled by F. W. Dodge Corporation, and it is not to be confused with the construction forecast made by the Dodge organization itself.**

Jensen & Stromer Adds

(Special to THE FINANCIAL CHRONICLE)

MARYSVILLE, Calif.—Leon A. Avery, Edwin D. Beck, James M. Dobbins, Bernard W. Kramer, Cyril H. Kramer, Arthur V. Porterfield, and Frank D. Shelby have become connected with Jensen & Stromer, 426 Fifth Street.

With Hamilton Managme't

ORLANDO, Fla. — Arthur G. Decker, Leif Jensen, Ronald A. Phillpotts, Robert E. Vince, Harold V. Carter and Arthur W. Cassada have become connected with Hamilton Management Corporation.

G. A. Olmsted Opens

(Special to THE FINANCIAL CHRONICLE)

FREMONT, Neb.—G. A. Olmsted is engaging in a seucrities business from offices at 1428 North Park Avenue.

William W. Battles

William Waite Battles of Battles & Co., Inc., Philadelphia, passed away Nov. 6 at the age of 66.

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Financing the Acquisition

assets. Actually in the last analysis it is the value of the earning power which is generally controlling, for except in unusual circumstance, assets are only worth what they can earn.

On this question of book value vs. earnings power valuation, I have a table which is quite interesting. It shows that for a group of recent acquisitions, the prices paid indicate premiums over book value varying from 3% to as much as 153%, with the averages well over 50%. In other words, for these particular acquisitions which we think give a pretty good indication of the general rule, the book value figures were relatively unimportant in determining price. Actually while not shown in our tables, as you know, there have been some companies sold for less than book value.

Usually the easiest valuation problem to resolve is in the case of an exchange of stock where the stock of both companies enjoy a broad public market. The price record is then an appraisal by the investing public—the final arbitor. But the market must be an active one, else the figures may be of little value.

Ratios in Exchanging Securities

Even in these cases of the exchange of marketable securities some interesting calculations arise. If the holders of outstanding stock of a smaller company are to be induced to accept an exchange into stock of a larger company, obviously some consideration must be offered. This usually takes the form of a premium in market price of the new offering as compared to that of the old holdings. For example, if the stock of Company A is quoted at $20, it would be in line with established practice to offer an exchange into stock of Company B in such amount as to have a market value, say, of 22-26.

Of course, such premiums vary over a wide range with the particular circumstances of each deal. Our table of recent mergers of this kind previously referred to shows that the premiums in the market prices have varied anywhere from a low of 8 to 10% to a high of 30 to 36%. In one case the premium indicated was actually 64%. Undoubtedly, this latter reflects some extraordinary circumstances.

When only a controlling interest is acquired rather than 100% of the stock, the common practice would be to offer minority holders the same prices or the same securities as those offered to the control. An instance of this practice was General Baking Company's recent offer to the minority stockholders of Van de Kamp's Holland Dutch Bakers, Inc.

Disproportion Between Book Value and Earning Power

There are, of course, various ways of adjusting for differences in earning power valuation and book value between two companies being merged. A current example is the proposed merger of Vulcan Detinning Company and Birminghmam Slag Company. Vulcan, a listed company, had a book value of about $7,700,000 and 1955 earnings of about $700,000. Birmingham, a closely-held company, had a book value of about $8,900,000 (116% of Vulcan's) and 1955 earnings of about $1,800,000 (257% of Vulcan's). Obviously a division of common stock solely on the basis of earnings would result in a proportion for Vulcan considerably below its book value. In order to overcome this obstacle, the plan gives the Vulcan holder an amount of convertible preferred stock in addition to common stock, so that prior to conversion his book value is not diluted. Market value appreciation, which must take place prior to conversion, will compensate the holder for dilution of book value when he converts.

This formula of combining preferred with common has also been used successfully under other circumstances. Take the case of an acquisition price paid equivalent to, say, 10 times current earnings of the acquired company by a buying company whose own stock was selling at only eight times earnings. For such a problem, a straight nonconvertible preferred combined with common would ordinarily give the buying company a chance to pay the necessary price without substantially diluting the earnings for its own common stock.

An extreme case of disproportion between earning power valuation vs. book value was that involved in The Gillette Company's purchase of The Toni Company in January, 1948. At that time the book value of Toni was roughly $4,700,000. Net profits after taxes for the last reported year (1946) were $4,500,000 or almost 100% of book value. There was a problem to curl your hair—let alone wave it.

It was solved by using a novel but practical formula. Gillette purchased all the Toni stock for cash, the total of which was made up in three ways:

(1) The book value of—$4,700,000.

(2) Then added cash of — $8,000,000.

(3) Finally, it was agreed that after Gillette had recouped this first $8,000,000 out of future Toni net profits a sum equal to 50% of Toni net profits would thereafter be paid until another $8,000,000 would be paid to Toni stockholders.

This case is cited not to pass judgment on the wisdom of that particular acquisition but rather to indicate a flexible formula which might be employed in the case of an acquisition of high and rapidly growing earnings.

Statutory Classification and Financing

Before getting to the state of actual financing, the investment banker today must constantly keep in mind the statutory framework which imposes definite limitations upon his work in this field. Particular reference is made to the Federal Income Tax and our Federal anti-trust, anti-monopoly laws. The former bears down hardest upon the sellers of assets or securities with special reference to their tax liability for capital gains. The latter relates to the buying companies which must not, among other things, acquire a company if such act tends "substantially to reduce competition."

In actual practice it is the tax law which serves generally to classify deals of acquisition and merger into two main categories; viz., those that are free of capital gains tax for the selling company or its stockholders and those that are not.

Deals under the first classification, that is, free from immediate capital gains tax may take form in three different ways:

(1) Statutory merger.

(2) Acquisition of substantially all of the assets of the company selling out.

(3) Acquisition of at least 80% of the stock of the company being acquired in voluntary exchange with its stockholders.

In the case of statutory mergers any type of preferred stock or common stock, or a combination thereof, may be used. But there is an important difference applying to the acquisition of assets or of stock. As to these, while either preferred and common stock or a combination may be used, all stocks must have voting power. In both cases, however, if preferred stock is involved, special problems are presented which must be studied carefully by tax counsel.

Recent SEC Registration Proposal

The matter of registration of securities under the 1933 SEC Act may arise in connection with the third method above, namely, the voluntary exchange of stock for stock. If under this formula there are more than a few stockholders to whom the exchange offer is to be made then registration is actually required. Furthermore a recent proposal by the SEC would extend such registration requirement both to statutory mergers and the acquisition of assets where the issuance of new securities is involved.

If, instead of the foregoing means of payment, however, assets or stocks are purchased, through the use, in whole or in part of cash or of debt securities, or nonvoting preferred stocks, we then have deals falling into the second category and the selling company or its stockholders at once incur a capital gains tax, provided, of course, that they have realized a profit.

It is obvious that in the case of acquisitions free of capital gains tax to the sellers the buying company is not under the burden of raising cash and thus needs no direct money financing. On the other hand, a selling company or its stockholders may wish to dispose of a portion of their new securities. In either case, however, both buyers and sellers frequently secure in advance financial advice on the terms of the trade.

If securities are to be sold either to raise cash for an acquisition or by stockholders who have accepted new securities in exchange, then of course ordinary market considerations prevail. A seller must meet the current requirements of investors who are seeking an outlet for funds.

As you all know, our recent and present public markets favor the sale of equities either directly or indirectly through the medium of convertible securities. By all accepted standards high prices are now obtainable for many common stocks. On the other hand, the offerings of debt obligations have recently faced a buyer's market and resulting relatively costly borrowing rates.

Raising Capital

In spite of these conditions we find a constantly increasing queue of companies standing in line at the loan windows. There are various reasons for this but two principal ones. First, of course, is the tax advantage in the paying of interest rather than dividends. Secondly, the officers of many companies have a somewhat unrealistic fear of diluting existing equity positions by offering additional stock.

We wonder, however, whether some other considerations aren't being overlooked. Growing companies should make sure to provide themselves with a broad base of equity capital. Thought should be given to the possibility of greatly expanded future capital needs. A substantial portion of borrowing power should be left unused for possible emergencies.

After a long and marked rise in stock prices and a sharp fall in those for bonds, it would seem prudent to weigh most thoroughly the relative advantages of these two methods of raising capital. The best time to sell stocks is when people are urgently seeking them. One would like to inquire whether the Federal Income Tax and the artificially low borrowing rates of postwar years haven't made us all a little too debt-slanted in our thinking.

Convertible Securities

A practical compromise, of course, is the use of convertible securities for which there has recently been an active demand. By this means a company of good credit can presently reduce the annual interest cost of money perhaps as much as ½ of 1%. It also offers the advantage of selling stocks at higher than present levels should holders subsequently convert. In practice conversion is usually a gradual thing and does not have the depressing impact on market prices as does the direct offering of a large amount of stock. The procedure, of course, is only available to companies whose stocks enjoy a favorable public market.

The market place for debt securities, as all of you know, has in recent years come to have two separate sides of the street. I refer to the private placement of securities as compared to the longer-established public marketing thereof.

To which side of the market place a borrower should go is determined by the circumstances in each case and market conditions at the time. In this connection, some general observations may be made. Broadly speaking, it is the large offerings of issues which are best suited to the public market. On the other hand, institutional investors can function effectively both for small loans as well as in participating in larger ones.

Private Stock and Bond Placement

This private placement market itself is composed of institutions of

SELECTED DATA ON CERTAIN RECENT ACQUISITIONS

Acquiring Company	Acquired Company	Month Merger Effective	Market Value of Acquired Company's Common Stock Prior to First Public Announcement (000)		Market Price Per Share Prior to Announcement				% By Which Exchange Price Exceeded or (Was Below) Market Price of Acquired Company Prior to Announcement		Book Value of Acquired Company at Last Balance Sheet Date Before Merger (000)	Amount Paid For Acquisition Based on Market Price 3 Mos. Before Announcement of Securities Received in Exchange (000)	Premium Above or (Discount Below) Book Value Paid for Acquisition	Each Common Share of Acquired Company Received
			2 Months	3 Months	Acquiring Co. 2 Mos.	Acquiring Co. 3 Mos.	Acquired Co. 2 Mos.	Acquired Co. 3 Mos.	2 Mos.	3 Mos.				
Warner-Hudnut, Inc.	The Lambert Co.	March 1955	$ 21,302	$ 19,075	33	30	27 1/2	24 5/8	20%	22%	$ 14,254	$ 23,239	63%	1 Sh. Warner Lambert
Olin Mathieson Chemical Corp.	Blockson Chemical Co.	June 1955	50,381	51,885	55 7/8	53 3/4	34 3/8	37 1/8	22%	9%	24,005	60,627	153%	3/4 Sh. Olin Mathieson
Borg-Warner Corp.	Byron Jackson Co.	Sept. 1955	18,480	16,400	46 7/8	42 1/4	34 5/8	30 3/4	8%	10%	11,728	18,014	54%	4/5 Sh. Borg-Warner
Monsanto Chemical Co.	Lion Oil Co.	Sept. 1955	152,150	152,150	44 5/8	41 1/2	49 1/4	49 1/4	36%	26%	105,862	192,409	82%	1 1/2 Sh. Monsanto
Beatrice Foods Co.	D. L. Clark Co.	Oct. 1955	4,340	3,815	54 1/2	54 3/4	14 1/2	12 3/4	7%	22%	4,045	4,676	16%	.286 Shs. Beatrice Foods
Crown Zellerbach Corp.	Gaylord Container Corp.	Nov. 1955	107,148	94,343	49 1/4	45 3/4	39 3/4	35	24%	31%	54,989	123,320	125%	1 Sh. Crown Zellerbach
Square D Company	Electric Controller & Mfg.	Dec. 1955	11,170	11,060	45 3/4	42 1/2	52 1/2	52	31%	23%	7,754	13,551	75%	1 1/2 Shs. Square D
American Radiator & Standard Sanitary	Mullins Manufacturing Co.	Jan. 1956	28,590	30,610	22 5/8	24	18 3/4	20 1/8	33%	31%	30,818	40,181	30%	1 1/10 Shs. American
Rheem Manufacturing Co.	Richmond Radiator Co.	March 1956	8,740	11,120	34 7/8	36 1/8	7 3/4	9 7/8	12%	(9%)	5,684	10,170	79%	1/4 Sh. Rheem
Union Bag & Paper Corp.	Camp Manufacturing Co.,Inc.	July 1956	47,348	47,348	42 3/4	33 3/8	45 1/2	45 1/2	64%	28%	28,339	60,778	114%	1 3/4 Shs. Union
Dan River Mills	Alabama Mills, Inc.	Aug. 1956	6,422	5,994	16 1/4	15	7 1/2	7	8%	7%	11,351	6,422	(77%)	1/2 Sh. Dan River
Beech-Nut Packing Co.	Life Savers Corp.	Aug. 1956	36,438	37,869	29	28	26 1/2	27 1/4	(9%)	(14%)	12,681	32,175	154%	5/6 Sh. Beech-Nut
Owens-Illinois Glass Co.	National Container Corp.	Oct. 1956	90,298	82,847	77 3/4	66 1/2	25 3/4	23 5/8	53%	55%	69,114	152,266	220%	1/4 Sh. Owens Common + $20 of Owens Preferred
Continental Can Co.	Robert Gair Company,Inc.	Not yet Effective	95,281	98,236	46 7/8	44	32 1/4	33 1/4	16%	6%	78,093	104,965	34%	8/10 Sh. Continental Can

Prepared by Goldman, Sachs & Co., Oct. 31, 1956 varying investment interest. If one wanted to place a block of stock one would think of investment trusts, and to a certain degree, pension and endowment funds. In the case of small concerns with highly promising growth factors, there are certain venture capital groups, looking for attractive opportunities. But this is a very limited market.

As to long term corporate loans, the best divisions of the private placement market are the life insurance companies and the pension funds, which are continually investing huge sums in debt obligations. It suits their necessities, of course, to invest for the long pull. Among these institutions or funds there are those whose officers will consider loans as small as $250,000 and in groups they have the capacity to take some of our very largest issues.

The relative advantages of the private placement vs the public market will be debated for years to come. As you all know, the former enjoys an important statutory privilege. The private sale of securities need not be registered with the SEC. There is no precise definition as to what constitutes a private sale. It depends, among other things, on the nature of the investors, the type and amount of securities, as well as the information available about the issuer, and the number of persons to whom offerings are to be made. Depending upon these factors, an offering of long term debt to 50 or so institutional investors would probably be in the nature of a private offering and need not be registered. The escape from registration considered solely in itself saves a borrower both time and expense. Public sale, on the other hand, involves not only registration expense but underwriting commissions, issue taxes, trustees fees, and higher miscellaneous expenses. This differential especially for large issues is offset by the opportunity to secure a better price in the public market, so that more often than not the net cost to the borrower in the public market is actually lower or at least not any greater. In addition to which there are other advantages, among which is the opportunity to retire securities at a discount when prices fall.

Affect of Money Market Rise

At this point it might be well to refer to the recent rise in the money market which applies both to the public offering and private placement sides. Interest costs are up anywhere from 20% to 33⅓% over a year ago. For instance a medium-sized industrial company with a good record of earnings would currently find it necessary to pay an interest factor of 4½ to 5%. Smaller companies and less sought-after credits would today pay 4¾% to 5½%. Of course, a very large company with the top credit would pay something around 4%. Recently the Ford Company paid 4% in the private placement market. Some weeks later Procter & Gamble found 25-year funds in the public market with a 3⅞% coupon at par.

The critical condition of this money market is not completely made clear by the rise in interest cost. Actually, immediate money from the large institutional buyers of private placement debentures, in many cases is just not available. Certain leading institutions have recently advised us that their existing commitments will take all of their estimated investment funds until late 1957.

Should this condition fail to improve in the next few months, we may find ourselves in a position where long term private placement money must be sought more than one year in advance of needs. Standby fees are quite often paid to the lender for the privilege of getting in line.

Use of Interim Funds

In addition to the public market and private placement of debenture loans, there are other sources of credit which are currently being used. Failing to get long term loans for acquisitions in recent weeks some companies have procured interim funds from commercial banks upon term loans running anywhere from three to five years or in some cases 10 years. This means a backlog is building up for long term money which will hang over that market for some time to come. Moreover, as an official of the New York Federal Reserve Bank has pointed out, the accumulations of these loans at commercial banks has definite inflationary implications. With the prime bank rate of 4%, these term loans are being made between 4¼—4½% for the leading credit risks.

The terms and conditions involved in long term loans to industrial corporations are very much the same in both private and public markets, although in the private placement loans these terms are usually more comprehensive and restrictive. In most cases the long term obligations run for 15—25 years and except in the utility and railroad fields are not usually secured by mortgage lien. Amortization is frequently deferred for two or three years but then commits the borrower to retire such sums annually as will pay off 75—100% of the debt by maturity. Protective covenants serve to safeguard the lender.

Are Protective Covenants Onerous?

I am sure many of you will want to know how onerous the protective covenants are. Actually they are not too burdensome and are hand-tailored to the conditions in each case so as not to impose embarrassing restrictions upon the borrower. They simply commit him to deal fairly with the lender and to follow what might be considered to be policies of ordinary prudence in running his business. The most usual of these covenants are as follows:

(1) The borrower must agree not subsequently to pledge assets to the detriment of the lender or create other long-term debt beyond specified limits. Short term borrowing for current needs is usually left entirely to the discretion of the borrower, although a tendency is developing in recent private placements to require periodic liquidation of current borrowings.

(2) The borrowing company covenants not to bleed its assets by excessive dividends or by purchases of its own stocks. Future net profits usually do not come under this inhibition.

(3) Frequently the borrower engages to maintain working capital at some reasonable level. This figure usually offers a margin of safety and is estimated to be well under that which a borrower would maintain in the normal operation of his business.

With regard to repayment, typical provisions would require after two or three years regular amortization yearly at par; the privilege of doubling these payments in any year at the borrower's option at par; and finally the right to call all or part of the loan by paying a premium. In recent months the acute tightness in the money market, as well as prevailing high interest rates, have occasioned the use of certain restrictions on repayment in order to attract buyers of these long term loans. Such restrictions may deny any refunding for a period of years. Others permit prepayment except through the issuance of long term loans with a lower interest rate.

Differing from bank loans, the long-term institutional loan contract is not a cut and dried instrument typed out on a standard form. Running as it does for a long period of years many contingencies have to be provided for. So, the terms of the loan agreement and the note itself vary over a wide range and offer opportunity for many adjustments.

Investment Banker Can Save Costs

Continuing work in this field for other borrowers and with different institutions gives the investment banker a background of experience invaluable for trading out terms favorable to his client. For instance, the reduction of a small fraction in the interest rate, or a more flexible arrangement for prepayment may save the borrower during the life of the loan, many times the fee paid to the investment banker for his work. Equally important and often even more so is to make sure that the other covenants in the loan agreement do not embarrass normal conduct of the borrower's business and in a general way give him "most favored nation" treatment for comparable situations.

As to the time element, much depends upon the nature of the borrower's business, its complexity, and the thoroughness of its audits. Unless unforeseen difficulties arise, a private placement loan can usually be consummated within 60 to 90 days after negotiations start.

Is Big Business Getting Too Big?

One often hears currently the fear expressed that big business is getting too big, by a process of gobbling up little business, and that in the end we as consumers may fall victims to the evil doings of huge monopolies. Personally I do not share such apprehensions. These problems are, of course, relative. The number of small companies sold to Big Business should be related to the number remaining independent, the roster of which is large and constantly being added to. Furthermore, our observations would indicate that the greatest number of recent acquisitions has been by companies that might be considered medium in size and are made for really constructive purposes.

Many of our very largest companies now find that adequate opportunities for expansion are generated internally, especially through highly trained research staffs. An instance of this principle is Olin-Mathieson's recent announcement that henceforth they would in the main be guided by this policy.

More fundamental it seems to me than this question of bigness and its alleged threat in the field of acquisitions are some other considerations. The first is pointed up by your presence here today. If we constantly raise the standards of good management we will tend to avoid abuses and excesses in this field. At the same time we will keep alive the high spirit of adventure and progress.

We must recognize that this country of ours is growing extraordinarily fast. The little company of today is the medium sized one of tomorrow and the big one of the future. A characteristic of such a dynamic economy must inevitably be the coalescence of small units of production or service into larger ones because it is the latter which can most effectively serve the mass market. And certainly it is eminently right for efficient managements to take over concerns which lag in that respect.

Actually the thing to be concerned about is whether we keep the market place free and open. If we succeed in doing this with the help of the Sherman Law, the Clayton Act, and the good sense of American businessmen, the natural laws of the competitive profit system will serve to protect us against any abuses by reason of acquisitions or the activities of Big Business.

ABA Presents Banking Study Recommendations

WASHINGTON, D. C. — Responding to the invitation extended by Senator A. Willis Robertson to submit its views to the Senate Banking and Currency Committee in regard to subjects to be considered in the Committee's study of Federal laws governing financial institutions and credit, the American Bankers Association has presented 15 recommendations to the Committee.

Included in these recommendations were proposals that the establishment of branch offices of Federal savings and loan associations be made to conform to the laws and practices of the States governing the establishment of branches of State-chartered savings and loan associations and that the establishment of savings and loan branch offices across State lines be prohibited.

Another calls attention to the growing deposit insurance fund of the Federal Deposit Insurance Corporation now at $1,690,818,394 and proposes that the current credit to banks of 60% of the "net assessment income" (contributions of banks less operating costs, loss reserves and losses of the corporation) be increased from 60% to 80% of the net assessment income.

Another would vest final authority for approval or disapproval of bank mergers in the appropriate Federal bank supervisory authority—Federal Reserve Board, Comptroller of the Currency, or Federal Deposit Insurance Corporation.

Still another would provide for the liquidation of the Postal Savings System, which the ABA states has outserved its purpose.

The ABA stated that the present methods for setting up reserves for bad debts out of current earnings are not adequate and recommended that Congress amend the Internal Revenue Code to permit the setting up of such reserves on a uniform industry-wide basis. It urged that adequate reserves maintained by banks will contribute to the safety of deposits and promote the extension of credit.

Other ABA proposals include amendment to existing laws to (1) permit shareholders of national banks to decide for themselves, by amendment of their articles of association, whether to have cumulative voting of their shares in the election of directors; and (2) to broaden the authority of national banks and State-chartered Federal Reserve member banks to deal in and underwrite the obligations of State or political subdivisions.

A number of other recommendations are for amendments to the laws designed to bring the real estate lending power of national banks into line with those of other banks, and to modify some of the technical requirements of national banks in respect to reports required of them.

The ABA recommendations were sent to Senator Robertson last night with a letter from Erle Cocke, Association President. Mr. Cocke is Vice-Chairman of the Board of the Fulton National Bank of Atlanta, Ga.

Referring to Senator Robertson's statement that "the study will be a technical one rather than a broad inquiry into financial and economic theories" and that the major objective will be "to formulate a new banking code with obsolete provisions eliminated and new authority added in areas where the need is clearly demonstrated," Mr. Cocke said that the ABA presentation contains "occasional reference tto matters which are not within the jurisdiction of your committee.

"These are included," he added, "to call attention to related matters which merit the consideration of the Congress as a whole because of their importance to the maintenance of a sound banking structure."

Stating that all of the ABA recommendations are "submitted in the hope that they will assist the Committee in carrying on its study," Mr. Cocke, in his letter, reserved the right to make supplemental recommendations after the hearings to be held Nov. 9 and 10 on the recommendations of the Federal supervisory agencies.

Nix, Borkland Elected NASD Governors

Allen J. Nix, Riter & Co., and Ernest W. Borkland, Jr., Tucker, Anthony & R. L. Day, both of New York, have been elected to


Allen J. Nix


E. W. Borkland, Jr.

the Board of Governors of the National Association of Securities Dealers.

Albert C. Purkiss, Walston & Co., New York, was elected to NASD's District Committee No. 13 (New York, New Jersey and Connecticut) to succeed Mr. Nix, while Orland K. Zeugner, Stone & Webster Securities, New York, is replacing Mr. Borkland.

Others elected to the District Committee are: E. H. Ladd III, The First Boston Corp., Stanley L. Roggenburg, Roggenburg & Co., Avery Rockefeller, Jr., Dominick & Dominick, all of New York, and Joseph S. Barr, J. S. Barr & Co., Ithaca.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates yesterday (Nov. 14) offered $7,605,000 of Louisville and Nashville RR. 3⅞% equipment trust certificates, series P, maturing annually Nov. 15, 1957 to 1971, inclusive.

The certificates were priced to yield from 3.75% to 3.90%, according to maturity. Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by the following equipment estimated to cost not less than $9,510,981: 500 box cars; 80 mill gondola cars; 150 pulpwood rack cars; five Diesel-electric road freight locomotives and 12 Diesel-electric general purpose or road switching locomotives.

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

Two With Hamilton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John C. Marciello and Victor J. Plath have become connected with Hamilton Management Corporation, 127 Tremont Street.

Edw. Mathews Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Donald W. MacKay has been added to the staff of Edward E. Mathews Co., 53 State Street.

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.

● **Anheuser-Busch, Inc. (11/26-30)**
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.

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.

● **Blackstone Valley Gas & Electric Co. (11/21)**
Aug. 15 filed 25,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Offering**—To stockholders had been abandoned. No bids received on Sept. 11. Company has received exemption from competitive bidding. **Underwriters**—Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co.; and Wood, Struthers & Co., all of New York.

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.

★ **Burroughs Corp., Detroit, Mich. (12/3)**
Nov. 9 filed $30,154,700 of convertible subordinated debentures due Dec. 1, 1981, to be offered for subscription by common stockholders on the basis of $100 of debentures for each 20 shares of stock held of record on Nov. 30, 1956; rights to expire on Dec. 17, 1956. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for expansion program. **Underwriter**—Lehman Brothers, New York.

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.

Chinook Plywood, Inc., Rainier, Ore.
Sept. 4 filed 200 shares of common capital stock. **Price**—At par ($3,000 per share). **Proceeds**—For acquisition of a plant site, construction of a mill building, purchase and installation of machinery and equipment, and as operating capital. **Underwriter** — Industry Developers, Inc.

Chisago City Telephone Co., Chisago, Minn.
Sept. 6 (letter of notification) 1,000 shares of common stock to be offered to stockholders. **Price**—At par ($25 per share). **Proceeds** — For new construction. **Underwriter**—None.

Consumers Cooperative Association, Kansas City, Mo.
Oct. 25 filed 180,000 shares of 5½% preferred stock (cumulative to extent earned before patronage refunds) and 20,000 shares of 4% second preferred stock (cumulative to extent earned before patronage refunds) to be sold directly to members and others by the Association's 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**—7352 Central Ave., St. Petersburg, Fla. **Predecessor**—Lynch Oil Co. **Underwriter**—Security & Bond Co., Lexington, Kentucky.

● **Continental Casualty Co., Chicago, Ill.**
Sept. 28 filed 625,000 shares of capital stock (par $5) being offered in exchange for outstanding capital stock of National Fire Insurance Co. of Hartford at rate of 1¼ shares of Continental stock for one share of National stock. The offer is conditional upon the acceptance of at least 51% (255,000 shares) of National stock and will expire on Nov. 30. **Dealer-Managers**—William Blair & Co.; The First Boston Corp.; and Lazard Freres & Co.

● **Cosden Petroleum Corp.**
Oct. 26 filed 352,000 shares of capital stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To Standard Oil Co. of Texas and Anderson-Prichard Oil 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. **Offering**—Expected today (Nov. 15).

● **Credit Finance Service, Inc. (11/20)**
Oct. 30 filed $1,200,000 of subordinate debentures due Nov. 1, 1968 and 24,000 shares of class B common stock (par $1) to be offered in units of $50 of debentures and one share of stock. **Price**—To be supplied by amendment (the proposed maximum offering price is $65 per unit). **Proceeds** — To reduce outstanding short-term bank loans and to repay subordinated note for $50,000. **Office** — Wilmington, Del. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

Dallas Power & Light Co.
Oct. 23 (letter of notification) 431 shares of common stock (no par) to be offered to minority stockholders on a 1-for-16 basis. **Price**—$185 per share. **Proceeds**—For new construction and working capital. **Office** — 1506 Commerce St., Dallas, Tex. **Underwriter**—None.

Dallas Power & Light Co. (12/3)
Nov. 7 filed $10,000,000 of first mortgage bonds due 1986. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Salomon Bros. & Hutzler; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Eastman Dillon, Union Securities & Co.; Kuhn, Loeb & Co.; Equitable Securities Corp.; Blair & Co. Incorporated and Baxter, Williams & Co. (jointly); Lehman Brothers. **Bids**—Expected to be received up to noon (EST) on Dec. 3.

Dalton Finance, Inc., Mt. Rainier, Md.
Sept. 28 (letter of notification) $250,000 of 6% 10-year subordinated debentures (with warrants attached) and 25,000 shares of class A common stock (par 50 cents) to be offered in units of one $500 debenture and 50 shares of stock. **Price**—$525 per unit. **Proceeds**—For working capital. **Underwriter** — Whitney & Co., Inc., Washington, D. C.

★ **Dental Budget Plan, Inc.**
Oct. 31 (letter of notification) $150,000 of 9% eight-year subordinated non-secured debentures and 750 shares of class A common stock (no par) to be offered in units of a $200 debenture and one share of stock. **Price**—$300 per unit. **Proceeds**—To purchase notes and for working capital. **Office**—521 Fifth Ave., New York. **Underwriter**—None.

Devall Land & Marine Construction Co., Inc.
May 16 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For payments of notes, to purchase and equip three boats and working capital. **Office**—1111 No. First Ave., Lake Charles, La. **Underwriter**—Vickers Brothers, Houston, Texas. Statement effective.

Diversified Oil & Mining Corp., Denver, Colo.
Aug. 29 filed 2,500,000 shares of 6% convertible non-cumulative preferred stock, first series (par $1), and warrants to purchase 500,000 shares of common stock (par 10 cents) to be offered for subscription initially by common stockholders in units of 25 preferred shares and a warrant to purchase five common shares. **Price**—$25.50 per unit (each warrant will entitle the holder to purchase one common share at any time prior to Dec. 31, 1957 at $2 per share). **Proceeds**—To repay mortgages, to $1,312,500 of five-year 6% sinking fund debentures, and for further acquisitions and working capital. **Underwriter**—To be named by amendment.

Douglas Corp., Fort Collins, Colo.
July 27 filed 4,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds** — For exploration, development and acquisition of properties and

for working capital. **Underwriter**—Columbia Securities Co., Denver, Colo.

★ Eastern Industries, Inc. (12/3-5)
Nov. 13 filed 125,000 shares of cumulative convertible preferred stock (par $10). **Price**—At par. **Proceeds**—For expansion program. **Underwriter**—Blair & Co. Incorporated, and Winslow Cohu & Stetson, Inc., both of New York.

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. (11/29)
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.

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.

★ Flakewood Corp., San Francisco, Calif.
Nov. 14 filed 100,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For construction of manufacturing plant and to provide working capital. **Underwriter**—None. Robert E. Evju is President.

★ Florida Power & Light Co. (12/11)
Nov. 13 filed $15,000,000 of first mortgage bonds due 1986. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; 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.

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 Telephone Co. of California (1/7-10)
Nov. 13 filed 500,000 shares of 5% cumulative preferred stock (par $20). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be named later. Paine, Webber, Jackson & Curtis, New York, and Mitchum, Jones & Templeton, Los Angeles, Calif., handled previous preferred stock financing.

● Giant Food Properties, Inc. (11/20)
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. (11/20)
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 Pacific Land Co., Inc.
Nov. 5 (letter of notification) $300,000 of 6½% convertible debentures due 1971. **Price**—At face amount. **Proceeds**—To buy highly discounted first and second trust deeds on mortgages on well located properties in California. **Office**—9201 Wilshire Blvd., Beverly Hills, Calif. **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.
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. **Offering**—Postponed indefinitely.

● 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**—$44 per share. **Proceeds**—For working capital and expansion. **Underwriter**—None.

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.

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NEW ISSUE CALENDAR

November 15 (Thursday)
Chesapeake & Ohio Ry.________Equip. Trust Ctfs.
(Bids noon EST) $7,800,000

November 16 (Friday)
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
Pigeon Hole Parking of St. Louis, Inc. Class A Com.
(A. G. Edwards & Sons and Dempsey-Tegeler & Co.) $975,000
United Cuban Oil, Inc.________Common
(S. D. Fuller & Co.) $1,250,000

November 20 (Tuesday)
Credit Finance Service, Inc.__Debs. & Class B Com.
(Merrill Lynch, Pierce, Fenner & Beane) $1,200,000 debentures and 24,000 shares of stock
Giant Food Properties, Inc. Debentures & Common
(Auchincloss, Parker & Redpath and Kidder, Peabody & Co.) $4,050,000
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
Blackstone Valley Gas & Electric Co.___Preferred
(Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co.; and Wood, Struthers & Co.) $2,500,000

November 26 (Monday)
Anheuser-Busch, Inc. ________Common
(Lee Higginson Corp.) 328,723 shares
Lucky Stores, Inc.________Common
(Offering to stockholders of Foremost Dairies, Inc.—underwritten by Allen & Co. and Dean, Witter & Co.) 630,000 shares
Spar-Mica Corp., Ltd________Preferred
(Hamlin & Lunt; Allen & Co.; Cowen & Co.; and Straus, Blosser & McDowell) about $2,400,000

November 29 (Thursday)
Electricity Commission of New South Wales Bonds
(Kidder, Peabody & Co.) $7,650,000
Eternalite, Inc.________Class A Common
(Vickers Brothers) $900,000
Pennsylvania R. R. ________Equip. Trust Ctfs.
(Bids to be invited) $8,500,000

December 3 (Monday)
Burroughs Corp. ________Debentures
(Offering to common stockholders—underwritten by Lehman Brothers) $30,154,700
Dallas Power & Light Co.________Bonds
(Bids noon EST) $10,000,000
Eastern Industries, Inc________Preferred
(Blair & Co., Incorporated, and Winslow, Cohu & Stetson, Inc.) $1,250,000
Libby, McNeill & Libby________Debentures
(Offering to common stockholders—underwritten by Glore, Forgan & Co.) $10,468,500
Libby, McNeill & Libby________Common
(Offering to common stockholders—underwritten by Glore, Forgan & Co.) 610,664 shares

December 4 (Tuesday)
Erie R. R. ________Equip. Trust Ctfs.
(Bids noon EST) $2,805,000
Michigan Bell Telephone Co.________Debentures
(Bids to be invited) $30,000,000

December 5 (Wednesday)
Long Island Lighting Co.________Bonds
(Bids 11 a.m. EST) $20,000,000
National Cash Register Co.________Debentures
(Offering to stockholders—to be underwritten by Dillon, Read & Co. Inc.) $28,285,600
Public Service Electric & Gas Co.________Common
(Merrill Lynch, Pierce, Fenner & Beane) 1,000,000 shares

December 6 (Thursday)
New York Central RR.________Equip. Trust Ctfs.
(Bids to be invited) $8,055,000

December 10 (Monday)
People's Finance Corp.________Preferred
(Paul C. Kimball & Co.) $250,000
Texas Eastern Transmission Corp.______Debentures
(Dillon, Read & Co. Inc.) $40,000,000

December 11 (Tuesday)
Delaware Power & Light Co.________Preferred
(Bids to be invited) $8,000,000
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 7, 1957 (Monday)
General Telephone Co. of California____Preferred
(Underwriters to be named) $10,000,000

January 8, 1957 (Tuesday)
New England Tel. & Tel. Co.________Debentures
(Bids to be invited) $35,000,000

January 9, 1957 (Wednesday)
Northern Pacific Ry.________Equip. Trust Ctfs.
(Bids to be invited) about $7,700,000

January 15, 1957 (Tuesday)
Louisiana Power & Light Co.________Bonds
(Bids to be invited) about $20,000,000

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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.

★ Libby, McNeill & Libby, Chicago, Ill. (12/3)
Nov. 9 filed $10,468,500 of convertible sinking fund debentures due Dec. 15, 1976, to be offered for subscription by common stockholders at the rate of $100 of debentures for each 35 shares held as of Nov. 29, 1956; rights to expire on Dec. 17. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriter**—Glore, Forgan & Co., New York.

★ Libby, McNeill & Libby, Chicago, Ill. (12/3)
Nov. 9 filed 610,664 shares of common stock (par $7) to be offered for subscription by common stockholders at the rate of one new share for each six shares held as of Nov. 29; rights to expire on Dec. 17. **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans. **Underwriter**—Glore, Forgan & Co., New York.

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.

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 (indenominations 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.
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. **Offering**—Expected to be made this week.

● Lucky Stores, Inc. (11/26-30)
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. **Office** — San Leandro, Calif. **Underwriters**—Allen & Co., New York, and Dean Witter & Co., San Francisco, Calif.

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.

★ Mason Mortgage Fund, Inc., Washington, D. C.
Nov. 9 (letter of notification) $75,500 of 8% mortgage fund note certificates. **Price**—At par (in denominations of $250, $500 and $1,000 each). **Proceeds**—For purchase of individual mortgage notes from the portfolio of Mason Mortgage & Investment Corp. **Office**—Meridian Hill Studios, Suite 7, 2633 15th St., N. W., Washington, D. C. **Underwriter**—None.

★ Michigan Bell Telephone Co. (12/4)
Nov. 13 filed $30,000,000 of debentures due Dec. 1, 1991. **Proceeds**—To repay advances from parent, American Telephone & Telegraph Co. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on Dec. 4.

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.

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 Cash Register Co. (12/5)
Nov. 9 filed $28,285,600 convertible subordinated debentures due Dec. 15, 1981, to be offered for subscription by common stockholders of record Dec. 4, 1956 at the rate of $100 of debentures for each 25 shares of stock held; rights to expire on Dec. 19, 1956. **Price**—At par. **Proceeds**—For working capital to finance company's expanding volume of sales and the consequent increase in customers' accounts receivable, and to carry increased inventories; also for improvement and replacement of plant and other production facilities. **Underwriter**—Dillon, Read & Co. Inc., New York.

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) (11/29)
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. **Offering**—Not later than Nov. 29.

Ocean City Pier Corp., Berlin, Md.
Oct. 4 filed $2,000,000 of 6% debenture bonds due July 1, 1976, and 4,000,000 shares of common stock (par one cent) to be offered in units of one $100 bond and 200 shares of stock. **Price**—$300 per unit. **Proceeds** — For construction and operation of amusement pier. **Underwriter** — Paul Korns, a director, of Johnstown, Pa. Lt. Col. James A. Grazier of Whaleysville and Ocean City, Md., is Chairman of the Board.

Ohio Power Co.
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.

★ Organic Corp. of America
Nov. 7 (letter of notification) 30,000 shares of common stock (no par). **Price**—$7.50 per share. **Proceeds**—To erect a waste plant at McKeesport, Pa. and for working capital. **Office**—247 Fort Pitt Blvd., Pittsburgh, Pa. **Underwriter**—None.

● Pacific Lighting Corp.
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. **Offering**—Expected today (Nov. 15).

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.
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 554,928 shares of common stock (par 10¢) being 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. 15, 1956, unless extended.

★ Public Service Electric & Gas Co. (12/5)
Nov. 14 filed 1,000,000 shares of common stock (no par). **Price** — To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

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**—Date 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**—2505 Butler Place, New York City. **Underwriter**—Hopp & Co., Passaic, N. J.

● Re-Mark Chemical Co., Inc.
Oct. 4 (letter of notification) 99,630 shares of class A cumulative participating preference stock (par 80 cents) being offered first to common stockholders of record Nov. 9; rights to expire on Nov. 21. **Price**—To stockholders, $1.50 per share; to public, $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.

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 3457, 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 core assays; for mining shaft; to exercise purchase of option agreement on additional properties; for working capital and other corporate purposes. **Underwriter** — Indiana State Securities Corp. of Indianapolis, Ind., for offering to residents of Indiana.

Sandura Co., Inc., Philadelphia, Pa.
Oct. 8 filed 150,000 shares of preferred stock (par $7.50) and 50,000 shares of common stock (par five cents) to be issued in connection with the merger of Paulsboro Manufacturing Co. into Sandura Co., Inc. **Price**—$10 per share. **Proceeds** — For expansion, equipment and working capital. **Underwriter** — Butcher & Sherrerd, Philadelphia, Pa.

★ Schuster (Ed.) & Co., Inc.
Nov. 6 (letter of notification) 2,400 shares of common stock (par $10). **Price**—$18.50 per share. **Proceeds**—To Ralph T. Friedmann, President. **Office**—2153 North Third St., Milwaukee, Wis. **Underwriter**—None.

• Sierra Pacific Power Co.
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**—Halsey, Stuart & Co. Inc., on Nov. 14, submitted a bid, the only one received. It was rejected.

Sinclair Oil Corp.
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. **Offering**—Expected this week.

★ Somerset Investment Co., Inc.
Oct. 23 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.20 per share. **Proceeds**—To purchase real estate and construct plant building and facilities and for general corporate purposes. **Office**—761 Ackerman Ave., Glen Rock, N. J. **Underwriter**—None.

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. (11/26-29)
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.

★ Standard-Thomson Corp.
Nov. 8 (letter of notification) 8888.8 shares of common stock (par $1). **Price**—At market (estimated at $5.62½ per share). **Proceeds**—To go to Reginald N. Webster, the selling stockholder. **Office** — 740 E. National Rd., Vandalia, Ohio. **Underwriters**—Carreau & Co. and W. C. Langley & Co., both of New York, N. Y.

• 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. Registration statement was being withdrawn yesterday (Nov. 15).

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.

★ Teachers Mutual Fund of California, Inc.
Nov. 8 filed 700,000 shares of capital stock (par $1) to be offered only to members and employees of the California Teachers Association (Southern section) and their families. **Price**—Initially at $7.14 per share. **Proceeds**—For investment. **Office**—Los Angeles, Calif. **Underwriter**—None.

★ Telephone Service Co. of Ohio
Nov. 7 (letter of notification) 1,550⅔ shares of class A common stock (par $1) and 688 shares of class B common stock (par $1) to be offered to employees of seven operating subsidiaries. **Price** — For class A common, $13.84 per share; and for class B common, $15.66 per share. **Proceeds**—To reimburse such affiliates for cost of purchase of securities from parent company. **Office**—804 Renkert Bldg., Canton, Ohio. **Underwriter**—None.

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**—To be received up to 11:30 a.m. (EST) on Nov. 20 at Room 2033, Two Rector St., New York 6, N. Y.

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.

★ Thermoid Co., Trenton, N. J.
Nov. 9 filed 2,000 memberships in company's Employees' Thrift Bonus Plan, together with 80,000 shares of common stock (par $1) and 22,600 shares of $2.50 cumulative convertible preferred stock (par $50), which may be purchased pursuant to provisions of the Plan.

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.

★ Trinity Products, Inc., Trinity, Texas
Nov. 5 (letter of notification) 611,550 shares of common stock (par 10 cents). **Price**—30 cents per share. **Proceeds**—For payment of accounts and notes payable; purchase of factory equipment; purchase of raw materials; purchase of land and a factory building and for working capital. **Underwriter**—None.

★ Tyrex Drug & Chemical Corp.
Nov. 5 (letter of notification) 150,000 shares of class A stock (par one cent). **Price**—$2 per share. **Proceeds**—For equipment, raw materials, working capital and other corporate purposes. **Office**—42 Newark St., Hoboken, N. J. **Underwriter**—Dennis Securities Corp., Hoboken, N. J.

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.

★ United States Freight Co.
Nov. 9 filed 150,000 shares of capital stock (no par) to be offered to certain key employees of the company and its subsidiaries. **Price**—To be supplied by amendment. **Proceeds**—To pay balance of loan incurred in purchasing said shares from Linden Securities Corp. on Oct. 5, 1956 at $28 per share. **Underwriter**—None.

★ U. S. Industries, Inc.
Nov. 14 filed $6,000,000 convertible subordinated debentures due Dec. 1, 1971. **Price**—To be supplied by amendment. **Proceeds** — For expansion and working capital. **Underwriter**—Lehman Brothers, New York.

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.")

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.

★ Winn-Dixie Stores, Inc., Jacksonville, Fla.
Nov. 8 filed 75,000 shares of common stock (par $1) to be offered by the company to certain of its employees and those of its wholly-owned subsidiaries.

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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. Probably not until January.

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.

★ **Brazos River Gas Co. (Texas)**
Nov. 12 it was reported that early registration is expected of approximately 200,000 shares of common stock of this company, formerly Upham Gas Co. **Price**—Expected to be about $5 per share. **Proceeds**—To selling stockholders. **Underwriters**—Shields & Co. and Shearson, Hammill & Co., both of 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**
Nov. 13 stockholders voted to increase the authorized capital stock (par $12.50) from 12,000,000 shares to 13,000,000 shares, the additional 1,000,000 shares being 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. **Price**—$47 per share. **Underwriter**—The First Boston Corp., New York.

● **Chesapeake & Ohio Ry. (11/15)**
Bids are expected to be received by the company in Cleveland, Ohio, up to noon (EST) on Nov. 15 for the purchase from it of $7,800,000 of equipment trust certificates due annually Oct. 23, 1957-1971, inclusive. Probable bidders: Halsey, Stuart & Co.; 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.

● **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.

★ **Erie RR. (12/4)**
Bids will be received by company up to noon (EST) on Dec. 4 for the purchase from it of $2,805,000 equipment trust certificates to mature in annual installments in 1-to-15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

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).

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.

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.

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 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 Orleans Public Service, Inc.**
Nov. 13, Edgar H. Dixon, President, announced that this company plans to issue and sell $6,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Blair & Co. Incorporated; The First Boston Corp.; Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Lehman Brothers. **Offering**—Expected in March, 1957.

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).

★ **North Jersey Trust Co., Ridgewood, N. J.**
Nov. 15 company offered to its stockholders of record Nov. 8, 1956 the right to subscribe on or before Dec. 3 for 24,000 additional shares of capital stock (par $12.50) at the rate of two new shares for each three shares held. **Price**—$26 per share. **Proceeds**—To increase capital and surplus accounts. **Underwriters**—Kidder, Peabody & Co.; Adams & Hinckley; and Rippel & Co.

Northern Natural Gas Co.
July 19 it was reported company plans to finance its 1956 construction program (costing about $40,000,000) through issuance of debentures and treasury funds in latter part of year. **Underwriter**—Probably Blyth & Co., Inc.

★ **Northern Pacific Ry. (1/9)**
Bids are expected to be received by this company on Jan. 9, 1956, for the purchase from it of about $7,700,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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**—Salomen 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. (11/29)
Bids are expected to be received by the company on Nov. 29 for the purchase from it of about $8,500,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ People's Finance Corp., Denver, Colo. (12/10-14)
Nov. 8 it was reported company plans to issue and sell 50,000 shares of 6% cumulative convertible preferred stock (par $5). **Proceeds**—For working capital. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill.

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.

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 National Bank of San Diego, Calif.
Nov. 9 it was announced Bank plans to offer to its stockholders 65,000 additional shares of capital stock (par $10) on the basis of one new share for each 2⅔ shares held, subject to stockholders' approval on Nov. 15. **Price** — $27.50 per share. **Proceeds** — To purchase Pasadena-First National Bank and its two branches in Pasadena, effective Dec. 7, 1956.

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

People who make the investment market a business, particularly those engaged in the underwriting and distribution of corporate bonds, are not especially sanguine at the moment.

Naturally things could change suddenly although there is no indication of any such development immediately ahead. And in the absence of such promise the guess is that things will pursue a decidedly slow course through the balance of the year.

Major investment outlets, such as the big insurance companies and pension funds are looking toward the year-end and offerings have got to be attractive to receive any attention in such circles.

For a while it was possible to interest pension fund portfolio men, if not the insurance people. But now they seem to be on the same side for a change.

Perhaps the life companies, being not overly burdened with free cash and signed up in other commitments are a bit less free-footed even than the pension funds.

The effect of this underlying situation has been apparent in the market for new issues in recent weeks. The latest issue to slip a bit when freed from syndicate is Consolidated Edison Co. of New York's 4¼% offer which dipped to a 4.20 basis when cut loose.

Canadians Also Sluggish

According to those who have occasion to contact Canadian institutional investment sources, much the same situation prevails across the border.

If anything the situation is regarded as a little tighter in some respects. Their money market is actually firmer than ours reflecting the fact that industrial expansion has been at a relatively faster pace, putting a heavier drain on available funds.

Insurance companies, it was noted are realizing most attractive returns on advances to such industries, and accordingly, are making loans direct. Some such companies have been formidable buyers in the U. S. market heretofore.

Public Service Electric

Three groups entered bids for the $50 million of first and refunding mortgage bonds put up by Public Service Electric & Gas Corp. with the successful syndicate paying the company a price of 100.51 for a 4⅜% interest rate.

Fixing a price of 101.257 the group proceeded to plan for reoffering to the public for an indicated yield of 4.30%.

The return proved attractive to potential buyers, but was apparently offset in some degree by the scale of call prices fixed by the issuer. Modest inquiry greeted the offering, judging by preliminary inquiries.

Slow Week Ahead

Although the volume of new corporate offerings has been anything but robust over a period of weeks, it promises to be even more slender in the week just ahead.

With things slowed down to a walk and some potential borrowers still inclined to hold off in hope of more attractive rates in the money market, the Thanksgiving Day observance is tending to cut the impending calendar just about to the bone.

The only corporate undertakings of any consequence in sight are Arizona Public Service Co.'s projected offering of 200,000 shares of preferred stock and Texas Power & Light's $10 million of bonds.

Two With Daniel Weston

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Bernard Livingston and Maurice Seid have become connected with Daniel D. Weston & Co., Inc., 9235 Wilshire Boulevard. Mr. Livingston was previously with Daniel Freeves & Co.

Marshall Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Camilla Coppin is now affiliated with The Marshall Company, 30 North La Salle Street.

With Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John J. Sweeney has been connected with Walston & Co., Inc., 231 South La Salle Street.

Joins Eaton Howard

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Vila M. Sturtevant is now connected with Eaton & Howard, Incorporated, 24 Federal Street.

Three With Inv. Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Walling G. Kuekan, Robert Louis and James R. Thomas have joined the staff of Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

With B. C. Morton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Philip E. Chew has become associated with B. C. Morton & Co., 131 State St.

Two With King Merritt

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—David R. Bickford and Lewis I. Steinberg have become associated with King Merritt & Co., Inc., Third National Bank Building.

Now With Gibbs & Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Nicholas B. Sharry has become affiliated with Gibbs & Co., 507 Main St.

Insurance Lower

First Investors Corporation, distributor of shares of mutual funds, and sponsor of its own periodic payment plans for the accumulation of shares of Wellington Fund and Mutual Investment Fund, Inc., reports that beginning Oct. 1, 1956, the cost of the optional insurance under the plans will be reduced from 60 cents per month per $1,000, to 50 cents per month per $1,000. The "rated" cost of 90 cents will be dropped to 75 cents. The reduction applies not only to insured plans sold after Oct. 1, but to payments made after Oct. 1 on plans already in force. The insurance companies that cover First Investors Corporation plans include Connecticut General Life Insurance Company of Hartford, The United States Life Insurance Company of New York, and The Continental Assurance Company of Chicago.

Mutual Funds

By ROBERT R. RICH

Securities Field to Press S.E.C. Fight Today

At ten o'clock this morning the Securities and Exchange Commission will begin to hold hearings on its proposal to make six changes in the Statement of Policy—a set of rules which governs the oral, written and visual communication between mutual funds, mutual fund dealers, and shareholders and the general public. Acting in protest to five of the six changes will be representatives from the National Association of Securities Dealers, Inc.; National Association of Investment Companies; National Association of Securities Administrators; the Association of Mutual Fund Plan Sponsors; and Arthur Wiesenberger & Co.

The NASD has reacted so strongly to the proposed changes that it broke openly with the Securities and Exchange Commission over the matter.

It is the first time since the NASD was formed as a quasi-official agency under the Maloney Act of 1938 that it has taken such a serious step.

The five changes which the SEC wants to make and which are disapproved by the securities field are:

(1) In past performance charts and tables, the SEC does not want the results to show reinvested capital gains, even though three-quarters of shareholders do reinvest them.

(2) It does not want mutual funds to calculate reinvestment of investment income and capital gains under periodic payment plans.

(3) It wants mutual funds to show yields by relating the annual dividend to an average monthly offering price instead of to the original cost of the shares.

(4) In any discussion of capital gains, it wants an explanation of the taxes involved.

(5) It wants mutual funds to emphasize even further the sales charge.

Wellington Executives To Tour West

A swing through the West shortly after the pre-election tours of political candidates, will be undertaken by officials of the $500 million Wellington Fund this month. Coming just one week after the Presidential election, the series of meetings for investment dealers and securities salesmen will cover many important phases of the economic and securities picture.

A. Moyer Kulp, Chairman of Wellington's investment committee and one of the most experienced money managers in the country, will discuss the election results and their impact on the business outlook and securities markets over the near- and long-term. At the same meetings, Milton Fox-Martin, manager of dealer relations for Wellington, will review any of the important developments in the fast-growing mutual funds industry.

The first of these meetings for investment dealers will be held on Tuesday, Nov. 13—just one week after the election—at the Hotel Continental in Kansas City, Mo. The second meeting on Thursday, Nov. 15, will be held at the Missouri Athletic Club in St. Louis, Mo. Later in the month, on Nov. 27 and Nov. 29, Mr. Kulp and Mr. Fox-Martin will speak on the same subjects in two other mid-western cities—Nov. 27 in the Twin Cities of Minneapolis and St. Paul and Nov. 29 in Chicago.

National's Sales Hit Record $53 Million

Purchases of shares of the National Securities Series of mutual funds by long-term investors during the first 10 months of 1956 averaged $5.3 million per month and totaled a record high of $53,016,811 for the period, compared with $49,372,141 for the corresponding period of 1955, according to figures released by E. Waln Hare, Vice-President of National Securities & Research Corporation, sponsors and managers of the Series.

Total net assets of the seven funds in the National Securities Series aggregated $284,428,300 as of Oct. 31, 1956, against $249,042,080 a year ago, Mr. Hare reported. October purchases also were ahead of last year and, despite uncertain markets, were the second best October in history, he added.

Wellington Fund sales in October were the largest for any similar month in the Fund's 27-year history, A. J. Wilkins, Vice-President, reported. Gross sales of Wellington in October reached $7,890,000 compared with $6,566,000 in October last year, an increase of $1,324,000. Mr. Wilkins stated that Wellington Fund sales in the first 10 months of this year to Oct. 31 reached a record $83,907,000 compared with $56,723,000 in the similar 10 months of 1955, for a gain of $27,074,000, or 48% ahead of last year to date.

Incorporated Income Fund sales for October exceeded $3,000,000 and were the largest for any month since its shares were first offered to the public.

U. S. Has 80%

More than 50 million television receivers are in use in the world with the United States accounting for 39 million or nearly 80% of the total, according to the November issue of "Keeping Up" by Television Shares Management Corp. The corporation sponsors and manages the Television-Electronics Fund of Chicago which has assets of $132.6 million invested in the television and electronics industries. According to a recent survey, other leading countries are England with 6 million sets in use, Canada with 2.2 million, Russia 1 million, West Germany 500,000, France 360,000, and Italy 300,000, the publication said.

A. G. Edwards Adds

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Jackson P. Bayer has joined the staff of A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

Fidelity Fund Assets Now at $238 Million

Fidelity Fund reported a total net assets of $238,581,663 on Sept. 30. This is an increase of approximately 9.7% over the net asset value of $217,596,660 on Dec. 31, 1955, and approximately 17.8% over the net asset value of $202,368,245 as of Sept. 30, 1955. The number of shares outstanding and the number of shareholders attained new highs as of Sept. 30, 1956. Fidelity Fund now has over 52,500 shareholders, an increase of 33.6% over a year ago.

Net asset value per share as of Sept. 30, 1956, was $14.46 compared with $14.80 as of Dec. 31, 1955, and $14.19 on Sept. 30, 1955. On Sept. 25, 1956, a dividend of 11 cents per share was paid by the fund from investment income, bringing the total for the first nine months of the year to 33 cents per share compared with 30 cents for the same period of 1955.

New York Capital Fund of Canada, Ltd. net assets on Sept. 30, 1956 totaled $27,566,059, equal to $31.27 a share on the 881,454 shares outstanding at the end of the quarter, compared with $28,245,967 or $31.87 a share on 886,229 shares as of June 30, and $28,572,242 or $28.57 a share on 1,000,000 shares on Sept. 30, 1955.

Portfolio Changes

Common stock portfolio changes by Philadelphia Fund in the third quarter of 1956 included: New items to the portfolio—American Gas & Electric, Burroughs, Delaware Power & Light, International Petroleum, North American Aviation, Pennsylvania Salt, Phillips Petroleum, A. O. Smith, and Standard Oil of California. Additions to holdings — Boeing Airplane, Dow Chemical, General Motors, Lockheed, National Gypsum, Sperry Rand and Republic Steel. These items were eliminated—Atchison, Topeka & Santa Fe, Borg Warner, Corning Glass Works, Firestone Tire & Rubber, Rochester Gas & Electric.

I. P. C. Sales

October sales volume of Investors Planning Corporation of America was more than double that of October, 1955. The firm sold $6,731,536 worth of mutual funds last month, compared with $3,254,741 in October, 1955. Sales for the first 10 months of 1956 have totaled $47,117,179, Mr. Benedick stated, up nearly 66% from the $28,439,236 for the same period last year.

according to the fund's quarterly report to stockholders.

During the 1956 September quarter, the fund added Loblaw Groceterias convertible sinking fund debentures to its investment portfolio and through the exercise of rights purchased additional shares of Excelsior Life Insurance Company, Ford Motor Company of Canada Limited, The British American Oil Company Limited, Westminister Paper Company, Limited, Ventures Limited and The Steel Company of Canada, Limited.

Reductions were effected in holdings of Loblaw Companies Limited, Class B; Trans Mountain Oil Pipe Line Company; Royalite Oil Company, Limited preferred; Powell River Company Limited; and Falconbridge Nickel Mines Limited shares. Holdings of Kilembe Copper Cobalt Ltd. shares were eliminated.

As of Sept. 30, 1956 the fund's assets were invested as follows: stocks, 89%; Canadian Government and corporate obligations, 7%; and non-Canadian obligations, 4%. Non-Canadian securities, which include Canadian incorporated companies having their assets outside of Canada comprised one-third of Sept. 30 holdings.

Gas Industries Fund, in a report to shareholders covering the six months' period ended Sept. 30, states that the very survival of the "free World" may depend upon the continuing availability of the vast reserves of crude oil in the Middle East. These reserves constitute about three-quarters of the known reserves of the "free world" and are about one-half owned by U. S. interests. The fund expresses confidence that an answer to the Suez problem will eventually be found, but adds that at the present time only about 7½% of the assets of Gas Industries Fund are invested in companies with a stake in the Middle East.

The report shows total net assets of $53,034,973 compared with $37,147,061 a year ago, an increase of almost $16,000,000. The net asset value per share on Sept. 30 was $13.79 as compared with $12.68 a year earlier.

Philadelphia Fund recorded a 29.5% increase in net assets in the 12 months ended Sept. 30, 1956, according to the fund's quarterly report to shareholders. The increase boosted assets to a total of $4,622,220 or $17.82 a share on Sept. 30, last, after payment of 98 cents per share in capital gains in the preceding 12-month period. This compares with a total of $3,566,922 on Sept. 30, 1955, equal to $17.38 a share.

Keystone Funds Report Portfolio Performances

Long-term government bond prices have declined nearly 9% since 1956, according to the latest annual report of **Keystone Discount Bond Fund**, Series B-4. During this ten-year period, the fund showed an increase in share asset value of 42%, assuming reinvestment of realized profits. The mangement credits this performance to the favorable stimulus of business prosperity on the discount bonds of U. S. corporations held by the Fund, and to its position in selected Latin-American issues.

Total net assets on Sept. 30 were $65,780,708, compared with, a year ago, $64,357,977.

Figures released in the annual report of **Keystone High-Grade Common Stock Fund**, Series S-1, reveal that a reduction in the fund's holdings in the banking, insurance and finance fields (from 14% to 6.1%) during the year was offset by increases in steel and metals (from 10.2% to 17.8%) and in machinery (from 3% to 8.6%). Income payments to shareholders were 8% above 1955 distributions, while over-all capital value gained 44 cents during the period, adding back the realized profits distribution.

Total net assets on Sept. 30 were $10,579,495, compared with, a year ago, $8,835,236.

According to figures released in the Oct. 31 semi-annual report, **Keystone Fund of Canada** demonstrated down-side strength in the March-to-September market decline. During this period, the Dow-Jones Industrial Average fell off 7.1%, the Toronto Industial Average dropped 3.1% and the Montreal Industrials slumped 9.3%, while the fund's asset value receded only seven cents, or about one-half of one percent.

Oil and gas investments were increased from 11.8% to 23.3% of the portfolio during this time, and heavier positions were taken in utilities, steel and iron. Paper, finance and mining commitments were reduced, and new money was placed in electrical equipment, building and chemicals.

Total net assets on Sept. 30 were $10,609,430, compared with, a year ago, $8,852,490.

Personal Progress

The appointments of Lindsay C. Hamilton as Vice-President and Treasurer, and of Leonard I. Axelrad, as Assistant Sales Manager, of the Future Planning Corp. of 112 W. 34th St., mutual funds sales organization, were announced today by Karl D. Pettit Jr., President of the recently-established firm.

Mr. Hamilton was formerly Business Manager of Sudamtex, S. A., a subsidiary of United Merchants and Manufacturers Inc. for five years. He has also been a buyer for Sears Roebuck Co. and more recently a development analyst for the Celanese Corporation. A graduate of Yale University, Mr. Hamilton was with the U. S. Air Force during World War II.

Mr. Axelrad is a graduate of Cornell University Graduate School of Business and Public Administration with a degree of M.B.A. and also has a B.S. from Cornell. He was previously a market analyst with Sears Roebuck.

Future Planning Corp., founded a year ago, has some 300 full-time and part-time salesmen and women.

Robert T. Haslam was appointed a member of the advisory board of Gas Industries Fund of Boston, has just been announced by James H. Orr, President. Mr. Haslam was for a number of years, prior to 1950 a Vice-President and director of Standard Oil Company (New Jersey). At the present time, Mr. Haslam is a director of and a consultant to W. R. Grace & Co., a director and member of the executive committee of American Gas and Electric Company and a director of Tropical Gas Company.

Malcolm I. Ruddock, member of the law firm of Cadwalader, Wickersham & Taft, New York City, has been elected a director of New York Capital Fund of Canada, Ltd., investment company.

Closed-End News

Adams Express Company announced today that the net asset value of its common stock at Sept. 30, 1956 is estimated at $29.99 per share, on the 3,172,752 shares outstanding. The net asset value on Dec. 31, 1955 was $30.08 per share on 2,643,960 shares then outstanding. Its holdings of American International Corporation, a majority-owned subsidiary, is included at net asset value at both dates.

American International Corporation, announced today that the net asset value of its common stock at Sept. 30, 1956 is estimated at $18.24 per share on the 2,250,600 shares outstanding. The net asset value on Dec. 31, 1955 was $18.49 per share on 1,876,000 shares then outstanding.

Petroleum Corporation of America announced today that the net asset value of its common stock on Sept. 30, 1956 is estimated at $19.67 per share on the 1,970,400 shares outstanding. The net asset value on Dec. 31, 1955 was $18.47 per share on 1,642,000 shares then outstanding after adjustment for the 100% stock distribution in March, 1956.

DIF Assets Now $64.3 Million

Total net assets of Diversified Investment Fund, Inc. were $64,367,196 on Sept. 30, 1956—a gain of more than $6 million over the total of $58,344,803 a year ago. Net asset value per share at the end of September was $9.30—a moderate increase of approximately 2% over the share value 12 months earlier, adjusted for securities profits distributed to shareholders.

During the last three months of lower bond prices, the fund has added to its bond holdings American Telephone and Telegraph Company, 3⅞s, 1990; Champion Paper and Fibre Company, debs., 3¾s, 1981; Jersey Central Power and Light Company, 1st mtge., 4⅛s, 1986; Pacific Telephone and Telegraph Company, debs., 4⅜s, 1988; and Procter and Gamble Company, debs., 3⅞s, 1981.

During this same period, the fund has added the shares of Inland Steel Company to its common stock holdings.

Eliminated from investments were preferred shares of El Paso Natural Gas Company, 5½% cum., and holdings of common stock in Columbus and Southern Ohio Electric Company, Southern Pacific Company, United States Rubber Company and Texas Gulf Sulphur Company.

On Sept. 30, 1956, fund assets were balanced between 32% in bonds and preferred stocks and 68% in common stocks, compared to 31% and 68.8% a year earlier.

With Palmer, Pollacchi

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Arthur B. McWilliams has joined the staff of Palmer, Pollacchi & Co., 84 State Street.

Reynolds Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CONCORD, N. H.—Frank N. Mitchell is now associated with Reynolds & Co.

With J. L. Brady Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Robert L. Gallant has become affiliated with J. L. Brady & Co., 27 Elm Street.

With R. F. Campeau

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Dean A. Cannon has become connected with R. F. Campeau Company, Penobscot Building.

Joins Roney Staff

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—Roman Niemczyk is now associated with Wm. C. Roney & Co., Grand Rapids National Bank Building.

Two With Mutual

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Laurence Peterson and LeRoy Sickel are now with Mutual Distributors, Inc., 1016 Baltimore Avenue.

Continued from page 2

The Security I Like Best

the diversification activities in recent years in related industries. However, A-M still emphasizes research to improve its industrial finishes, heavy duty maintenance paints and decorative finishes.

New sales and earnings records were established in the O-Cedar Division during 1955. For years O-Cedar has set the standard of excellence for household sponge mops and is the leading manufacturer today. Continuous research to produce efficient designs and improve quality has contributed much toward its success. New products currently being introduced are expected to add substantially to earnings.

Through the acquisition of Stoner-Mudge, American-Marietta obtained important and basic diversification and became one of the country's major producers of chemical coatings for lining the interior of food and beverage cans.

American-Marietta expects to benefit tremendously from the expansion projects it started during 1955. This expansion provided for the construction of additional facilities at several locations where demand had exceeded productive capacity.

The ultimate test of any expansion program is growth in equity and earnings, as well as the prospects of future dividend growth. While much of A-M's growth has resulted from rapid expansion of existing properties, a substantial measure of its progress has come from acquisitions. It must, however, be noted that the program has been one of judicious entry into fields which are growing at a considerably faster rate than the rest of the economy. The concentration on acquisitions in the construction and building products area is indicative.

In terms of sales, earnings, working capital and book value, 1955 witnessed a new high mark in growth for each of these items. 1956 is showing a continuation of this trend, with increases registered over last year in each of these items for the first nine months.

The management policy of American-Marietta Co. provides for a considerable amount of decentralized authority vested in numerous high-calibre executives located at the headquarters of various divisions and subsidiaries. To provide a continuous flow of management personnel for future growth, men everywhere throughout the organization are constantly being developed to assume the responsibilities of more important positions. In addition to the management strength that comes from developing the talents of its own people, American-Marietta obtains many exceptional executives through its acquisition of other businesses.

The earning record for A-M is also continuing to reflect the results of this aggressive program, as outlined previously. They reported all-time record high sales and earnings for both the third quarter and nine months of 1956. After preferred share dividend requirements, earnings applicable to the 3,755,900 common shares were $2.47 per share, of which $1.03 was earned during the third quarter. Earnings per common share for the nine months of 1955 were $2.01, after adjustment for the recent 5 for 4 stock split. These earnings do not include any operation of Dragon Cement, acquired in October of 1956. On an annual *pro forma* basis, Dragon would contribute about $4.66 earnings per common share of American-Marietta issued in the acquisition of Dragon. Earnings for the full year of 1956 should approach the $3.75 level per share compared to $2.90 for fiscal 1955.

The fourth quarter invariably makes the most sizable contribution to A-M's earnings for the year. Consequently, I expect A-M in 1956 to again surpass all previous annual sales and earnings records.

I consider American-Marietta common shares one of the most attractive growth equities available in today's highly selective equity market. These common shares are actively traded in the Over-the-Counter Market.

Business Man's Bookshelf

Capital Formation in Residential Real Estate: Trends and prospects—Leo Grebler, David M. Blank, and Louis Winnick—Princeton University Press, Princeton, N. J. (cloth) $10.

Economic Analysis — Edmund Whittaker—John Wiley & Sons, Inc., 440 Fourth Avenue, New York 16, N. Y.—$6.50

Foreign Labor Information — Three bulletins available, "Labor in India," "Labor in Chile," and "Latin American Labor Legislation"—U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, Rm. 1025, New York 1, N. Y.

Freedom From Money Worries—Price a Patton and Martha Patton—Citadel Press, New York, N. Y.—$3.50.

From Merchants to "Colour Men": Five Generations of Samuel Wetherill's White Lead Business—Miriam Hussey—University of Pennsylvania Press, 231 South 34th Street, Philadelphia 4, Pa.

Industry Nobody Really Knows—Story of the oil industry—Craig Thompson—on request—President, Gulf Oil Corporation, P. O. Box 1166, Pittsburgh 30, Pa.

Money Management, Your Automobile Dollar—Money Management Institute, Household Finance Corporation, Prudential Plaza, Chicago 1, Ill. (paper) 10 cents.

O. E. E. C. Publications (Organization for European Economic Cooperation) — Bulletin of new publications—O. E. E. C. Mission Publication Office, 2000 P Street, N. W., Washington 6, D. C.

Pedestrians, Grow Up and Live — Safety pamphlet aimed at adult pedestrians—Aetna Life Affiliated Companies, Public Education Department, Hartford, Conn.

School Planning and Building Handbook — N. L. Engelhardt, N. L. Englehardt, Jr., and Stanton Leggett—F. W. Dodge Corporation, 119 West 40th Street, New York 18, N. Y.—$12.75.

Something New: Credit Hoarding—Study—Standard Factors Corporation, 270 Madison Avenue, New York 16, N. Y.

Where Do Engineers Work in Industry — Survey — American Society of Tool Engineers, 10700 Puritan, Detroit 38, Mich. (paper) on request.

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. 18	§109.4	*100.1	101.4	99.2
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 18	§2,472,000	*2,463,000	2,495,000	2,394,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 2	6,981,100	6,998,200	7,021,650	6,777,100
Crude runs to stills—daily average (bbls.)	Nov. 2	¶7,853,000	7,670,000	7,697,000	7,561,000
Gasoline output (bbls.)	Nov. 2	26,620,000	25,931,000	26,687,000	26,433,000
Kerosene output (bbls.)	Nov. 2	2,507,000	2,680,000	2,096,000	2,311,000
Distillate fuel oil output (bbls.)	Nov. 2	12,477,000	12,389,000	13,268,000	11,691,000
Residual fuel oil output (bbls.)	Nov. 2	7,835,000	7,742,000	7,718,000	8,076,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 2	172,626,000	171,985,000	176,000,000	152,004,000
Kerosene (bbls.) at	Nov. 2	35,235,000	34,518,000	33,243,000	36,444,000
Distillate fuel oil (bbls.) at	Nov. 2	158,685,000	*157,268,000	151,805,000	151,988,000
Residual fuel oil (bbls.) at	Nov. 2	48,071,000	47,493,000	47,299,000	45,932,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 3	800,272	816,803	815,004	804,261
Revenue freight received from connections (no. of cars)	Nov. 3	663,919	667,997	683,329	685,394
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 8	$281,014,000	$350,139,000	$390,230,000	$267,920,000
Private construction	Nov. 8	168,082,000	165,918,000	211,356,000	162,168,000
Public construction	Nov. 8	112,932,000	184,221,000	178,874,000	105,752,000
State and municipal	Nov. 8	97,772,000	166,045,000	151,207,000	62,163,000
Federal	Nov. 8	15,160,000	18,176,000	27,667,000	43,589,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 3	10,530,000	10,440,000	10,410,000	10,194,000
Pennsylvania anthracite (tons)	Nov. 3	498,000	642,000	640,000	481,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 3	124	128	127	128
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 10	11,522,000	11,487,000	11,300,000	10,878,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 8	219	271	259	207
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 6	5.622c	5.622c	5.622c	5.174c
Pig iron (per gross ton)	Nov. 6	$63.04	$63.04	$63.04	$59.09
Scrap steel (per gross ton)	Nov. 6	$59.83	$57.50	$56.17	$44.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 7	35.700c	35.700c	39.675c	42.800c
Export refinery at	Nov. 7	34.700c	34.350c	36.975c	43.500c
Straits tin (New York) at	Nov. 7	109.750c	112.250c	104.625c	96.250c
Lead (New York) at	Nov. 7	16.000c	16.000c	16.000c	15.500c
Lead (St. Louis) at	Nov. 7	15.800c	15.800c	15.800c	15.300c
Zinc (East St. Louis) at	Nov. 7	13.500c	13.500c	13.500c	13.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 13	90.73	90.45	91.69	95.50
Average corporate	Nov. 13	98.09	98.25	99.04	107.98
Aaa	Nov. 13	101.47	101.47	102.96	111.62
Aa	Nov. 13	100.49	100.32	101.14	109.79
A	Nov. 13	98.25	98.25	99.04	107.80
Baa	Nov. 13	92.79	93.08	93.52	102.80
Railroad Group	Nov. 13	96.54	96.69	98.25	106.21
Public Utilities Group	Nov. 13	96.41	98.41	99.04	108.16
Industrials Group	Nov. 13	99.52	99.52	100.00	109.24
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 13	3.26	3.28	3.17	2.84
Average corporate	Nov. 13	3.87	3.86	3.81	3.28
Aaa	Nov. 13	3.66	3.66	3.57	3.08
Aa	Nov. 13	3.72	3.73	3.68	3.18
A	Nov. 13	3.86	3.86	3.81	3.29
Baa	Nov. 13	4.22	4.20	4.17	3.58
Railroad Group	Nov. 13	3.97	3.96	3.86	3.38
Public Utilities Group	Nov. 13	3.85	3.85	3.81	3.27
Industrials Group	Nov. 13	3.78	3.78	3.75	3.21
MOODY'S COMMODITY INDEX	Nov. 13	422.3	420.4	418.2	397.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 3	372,488	240,275	376,835	437,655
Production (tons)	Nov. 3	282,327	278,432	280,809	297,935
Percentage of activity	Nov. 3	96	97	95	103
Unfilled orders (tons) at end of period	Nov. 3	490,515	401,797	503,380	725,673
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Nov. 9	109.48	109.49	109.18	107.12
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. 20	1,044,342	973,024	1,326,602	973,161
Dollar value	Oct. 20	$57,470,360	$59,589,680	$72,812,006	$50,879,324
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Oct. 20	755,729	690,029	918,082	741,158
Customers' short sales	Oct. 20	6,587	6,038	6,282	4,634
Customers' other sales	Oct. 20	749,142	683,991	911,800	736,524
Dollar value	Oct. 20	$37,294,134	$34,093,982	$47,355,344	$36,935,557
Round-lot sales by dealers—					
Number of shares—Total sales	Oct. 20	205,480	157,590	228,610	167,970
Short sales	Oct. 20	------	------	------	------
Other sales	Oct. 20	205,480	157,590	228,610	167,970
Round-lot purchases by dealers—					
Number of shares	Oct. 20	481,950	479,170	604,320	423,860
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. 20	379,100	373,320	418,940	373,800
Other sales	Oct. 20	8,201,770	7,453,500	10,768,540	8,772,270
Total sales	Oct. 20	8,580,870	7,826,820	11,187,480	9,146,070
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Oct. 20	1,058,420	1,043,320	1,386,190	1,143,480
Short sales	Oct. 20	185,960	186,980	237,430	193,280
Other sales	Oct. 20	900,990	825,600	1,227,810	1,059,100
Total sales	Oct. 20	1,086,950	1,012,580	1,465,240	1,252,380
Other transactions initiated on the floor—					
Total purchases	Oct. 20	254,190	220,420	311,300	229,470
Short sales	Oct. 20	22,600	15,700	26,300	18,240
Other sales	Oct. 20	279,910	248,940	318,640	222,020
Total sales	Oct. 20	302,510	264,640	344,940	240,260
Other transactions initiated off the floor—					
Total purchases	Oct. 20	406,350	364,152	611,563	501,050
Short sales	Oct. 20	79,090	83,770	64,720	44,870
Other sales	Oct. 20	504,230	453,442	531,835	417,730
Total sales	Oct. 20	583,320	537,212	596,555	462,600
Total round-lot transactions for account of members—					
Total purchases	Oct. 20	1,718,960	1,627,892	2,309,053	1,874,000
Short sales	Oct. 20	287,650	286,450	328,450	256,390
Other sales	Oct. 20	1,685,130	1,527,982	2,078,285	1,698,850
Total sales	Oct. 20	1,972,780	1,814,432	2,406,735	1,955,240
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Nov. 6	114.9	114.9	115.2	111.2
Farm products	Nov. 6	87.7	87.9	88.9	85 2
Processed foods	Nov. 6	102.6	102.6	104.1	99.0
Meats	Nov. 6	80.8	80.5	87.6	75.6
All commodities other than farm and foods	Nov. 6	123.0	123.0	122.9	119.1

*Revised figure. ¶Includes 1,018,000 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
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of September	132,316	92,406	130,606
Stocks of aluminum (short tons) end of Sept.	47,179	36,717	9,898
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of October	11,032,000	*10,422,659	10,501,050
Shipments of steel products (net tons)—Month of September	7,058,028	5,539,915	7,378,247
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of October (in millions):			
Total new construction	$4,126	$4,250	$4,037
Private construction	2,751	2,833	2,810
Residential building (nonfarm)	1,350	1,405	1,509
New dwelling units	1,175	1,225	1,360
Additions and alterations	134	140	116
Nonhousekeeping	41	40	33
Nonresidential building (nonfarm)	793	788	721
Industrial	274	276	219
Commercial	287	288	306
Office buildings and warehouses	130	127	106
Stores, restaurants, garages	157	161	200
Other nonresidential building	232	224	196
Religious	76	74	68
Educational	49	49	45
Hospital and institutional	31	30	30
Social and recreational	27	27	21
Miscellaneous	49	44	32
Farm construction	122	148	132
Public utility	474	480	437
Railroad	41	40	39
Telephone and telegraph	85	85	75
Other public utility	348	355	323
All other private	12	12	11
Public construction	1,375	1,417	1,227
Residential building	25	25	22
Nonresidential building	371	379	350
Industrial	41	41	40
Educational	227	229	212
Hospital and institutional	30	31	28
Other nonresidential building	73	78	70
Military facilities	143	139	136
Highway	585	615	524
Sewer and water	122	123	97
Public service enterprises	44	49	31
Conservation and development	66	68	52
All other public	19	19	15
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of October (000's omitted):			
Total U. S. construction	$1,878,341	$1,480,492	$1,525,503
Private construction	1,141,589	892,662	993,961
Public construction	736,752	587,830	531,542
State and municipal	607,499	452,074	400,902
Federal	129,253	135,756	130,640
COAL OUTPUT (BUREAU OF MINES)—Month of October:			
Bituminous coal and lignite (net tons)	47,880,000	40,320,000	41,825,000
Pennsylvania anthracite (net tons)	3,045,000	2,671,000	2,258,000
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average=100—Month of October:			
Adjusted for seasonal variations	123	*129	122
Without seasonal adjustment	129	*131	128
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate consumers—Month of August (000's omitted)	44,503,331	43,009,663	42,087,772
Revenue from ultimate customers—month of August	$735,869,000	$719,799,000	$690,493,000
Number of ultimate customers at Aug. 31	53,537,641	53,368,640	52,103,708
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of September:			
Contracts closed (tonnage)—estimated	245,617	268,273	339,461
Shipments (tonnage)—estimated	240,858	213,495	289,128
MONEY IN CIRCULATION—TREASURY DEPT.			
As of Aug. 31 (000's omitted)	$30,757,000	$30,604,000	$30,317,000
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of October:			
Industrials (125)	4.03	4.04	3.96
Railroads (25)	5.83	5.93	5.34
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.81	4.79	4.62
Banks (15)	4.23	4.17	4.16
Insurance (10)	3.22	3.34	2.73
Average (199)	4.23	4.24	4.12
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOTIVE MANUFACTURERS' ASSN.—Month of September:			
Total number of vehicles	275,555	503,276	559,962
Number of passenger cars	203,888	417,020	467,845
Number of motor trucks	71,299	85,827	91,894
Number of buses	368	429	223
NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.—Month of October	£51,033,000	£17,399,000	£11,190,000
U. S. GOVT. STATUTORY DEBT LIMITATION—As of Oct. 31 (000's omitted):			
Total face amount that may be outstanding at any time	$278,000,000	$278,000,000	$281,000,000
Outstanding—			
Total gross public debt	275,282,774	274,260,859	279,817,534
Guaranteed obligations not owned by the Treasury	89,397	85,023	48,069
Total gross public debt and guaranteed obligations	$275,372,172	$274,345,892	$279,865,604
Deduct—other outstanding public debt obligations not subject to debt limitation	457,604	459,423	477,740
Grand total outstanding	$274,914,567	$273,886,458	$279,387,864
Balance face amount of obligations, issuable under above authority	3,085,432	4,113,542	1,612,135
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE — 1910-1914 = 100—As of Sept. 15:			
All farm products	236	237	232
Crops	234	236	228
Commercial vegetables, fresh	178	230	208
Cotton	275	263	277
Feed, grains and hay	196	197	178
Food grains	222	218	214
Fruit	233	210	208
Oil-bearing crops	234	249	246
Potatoes	161	203	145
Tobacco	455	451	437
Livestock	238	238	236
Dairy products	264	256	249
Meat animals	254	259	251
Poultry and eggs	172	171	191
Wool	231	232	240

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Dealer-Broker Investment Recommendations & Literature

American-Marietta Company—Nine months' report—Department 11, American-Marietta Company, 101 East Ontario Street, Chicago 11, Ill.

American Research and Development Corp.—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Botany Mills—Review—Lerner & Co., 10 Post Office Square, Boston 9, Mass. Also available are reviews on **Indian Head Mills, Sightmaster Corp., Riverside Cement and United States Envelope.**

Carpenter Paper Co.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a memorandum on **Eli Lilly Co.**

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

FIF Investment Plans—Booklet—FIF Management Corporation, 950 Broadway, Denver 3, Colo.

Federal National Mortgage Association (Fannie Mae)—Circular—Wm. H. Tegtmeyer & Co., 39 South La Salle Street, Chicago 3, Ill.

Frito Company—Bulletin—Eppler, Guerin & Turner, Fidelity Union Life Building, Dallas 1, Texas.

General Electric—Analysis in current issue of "Monthly Investment Letter—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Interprovincial Pipe Line Company—Report—Wisener and Company Limited, 73 King Street West, Toronto 1, Ont., Canada.

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

Marchant Calculators, Inc.—Analysis—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y. Also available is a circular on **Truax Traer Coal Company.**

Marmon-Herrington Company, Inc.—Analysis—Unlisted Trading Dept. (Room 707), Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Metallurgical Resources, Inc.—Report—G. K. Shields & Co., 15 William Street, New York 5, N. Y.

National Can Corporation—Analysis—Winslow, Cohu & Stetson, 26 Broadway, New York 4, N. Y.

North American Aviation—Bulletin—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Owens Illinois Glass Co.—Memorandum—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

Penn-Texas Corporation—Information on affiliated companies—Secretary, Penn-Texas Corporation, 111 Broadway, New York 6, N. Y.

Pepsi-Cola Co.—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y. Also available is a bulletin on **Stauffer Chemical Company.**

Pioneer Natural Gas Co.—Memorandum—Rauscher, Pierce & Co., Mercantile Bank Building, Dallas 1, Texas.

Strategic Materials Corporation—Data in monthly "Mickle Investment Letter"—Mickle & Company, Electric Building, Houston 2, Texas. Also in the letter are data on **American Hospital Supply Corporation, Rudolph Wurlitzer Corporation, Canadian Pipelines and Petroleum, Mississippi Valley Gas, Bank of the Southwest, Tennessee Gas Transmission Company and Western Natural Gas.**

Texas National Petroluem Co.—Memorandum—Cruttenden, Podesta & Co., 209 South La Salle Street, Chicago 4, Ill.

Timken Roller Bearing Co.—Memorandum—Walston & Co., Inc., 120 Broadway, New York 5, N. Y.

Townsend Company—Analysis—Holton, Hull & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Trans Mountain Oil Pipe Line Company—Analysis—McLeod, Young, Weir & Company, Limited, 50 King Street, West, Toronto, Ont., Canada.

Trans Ocean Corp. of California—Memorandum—Charles E. Thenebe & Associates, 36 Pearl Street, Hartford 3, Conn.

With Columbia Secs.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Henry J. Kryszak is now connected with Columbia Securities Company Inc. of Florida, 3839 Biscayne Boulevard.

B. C. Morton Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Donald Henderson and Calvin C. Newton have been added to the staff of B. C. Morton & Co.

Two With Wilson, Johnson

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Charles C. Horton and Robert F. Keitel have become associated with Wilson, Johnson & Higgins, 300 Montgomery Street, members of the San Francisco Stock Exchange. Mr. Horton was formerly with Kaiser & Co.

Joins First Southern

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Robert E. Levian has become associated with First Southern Corporation, 350 Lincoln Road. He was formerly with Waddell & Reed, Inc.

A. M. Kidder Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Henry B. Nelrose is now with A. M. Kidder & Co., 139 East Flagler St.

Form Gem States Brokerage

IDAHO FALLS, Idaho — Gem States Brokerage, Inc., has been formed with offices at 539 East Second Street to engage in a securities business. Officers are Charles M. McClure, President, and E. F. McClure, Secretary.

Halsey, Stuart Group Offers Utility Bonds

Halsey, Stuart & Co. Inc., is manager of an investment banking syndicate which is offering today (Nov. 15) $50,000,000 of Public Service Electric & Gas Co., first and refunding mortgage bonds, 4⅜% series due Nov. 1, 1986, at 101.257% and accrued interest, to yield 4.30%. The underwriters won award of the bonds at competitive sale yesterday (Nov. 14) on a bid of 100.51%.

Net proceeds from the sale of the bonds, and from the sale later this year of additional shares of its common stock, will be added to the general funds of the company to be used for general corporate purposes, including the repayment of bank loans and the payment of a portion of the company's construction program.

The new bonds will be redeemable at regular redemption prices ranging from 106.26% to par, and at special redemption prices receding from 101.26% to par, plus accrued interest in each case.

Public Service Electric & Gas Co. is an operating public utility company engaged in the electric and gas business in New Jersey. Of the company's total operating revenues in the 12 months ended Aug. 31, 1956, 68% was derived from its electric operations and about 32% from its gas operations. The company owns all of the outstanding capital stock of Public Service Coordinated Transport which operates a comprehensive mass bus transportation system that serves areas in New Jersey and extends into New York City, Philadelphia and Wilmington, (Del.).

For the year ended Aug. 31, 1956, the company had total operating revenues of $29,788,691 and net income of $32,349,826.

Thomas Scott Joins Amott, Baker & Co.

PHILADELPHIA, Pa. — Amott, Baker & Co., Incorporated, members of the New York Stock Exchange, announce that Thomas A. Scott has become associated with their organization as co-Manager of their Philadelphia office, 1420 Walnut Street. Mr. Scott was formerly with Bache & Co.

Two With Palmer, Pollacchi

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Anthony M. Grande and Joseph H. Monahan have become associated with Palmer, Pollacchi & Co., 84 State St.

Joins FIF Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — James A. Alsup is now connected with FIF Management Corporation. He was formerly with White & Company.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

AKRON, Ohio—Jerome B. Metzel has been added to the staff of Bache & Co., Second National Bank Building.

With Eastman, Dillon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Gordon C. Gillies is now with Eastman, Dillon, Union Securities & Co., 3115 Wilshire Boulevard. He was formerly with William R. Staats & Co. and Marache, Dofflemyre & Company.

DIVIDEND NOTICES

NATIONAL SHIRT SHOPS
OF DELAWARE, INC.
DIVIDEND NO. 61

The Board of Directors has declared a regular quarterly dividend of 20 cents per share on the common stock, payable November 30, 1956, to stockholders of record November 21, 1956. Transfer books will not be closed.

SYLVAN COLE,
Chairman of the Board

ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND No. 130

A regular quarterly dividend of fifty cents (50c) per share on the issued and outstanding common stock, $10 par value, of this Company has been declared payable December 21, 1956 to shareholders of record at the close of business November 29, 1956.

4.08% PREFERRED DIVIDEND No. 10

A regular quarterly dividend of one dollar and two cents ($1.02) per share on the 4.08% Cumulative Convertible Preferred Stock, $100 par value, of this Company has been declared, payable December 5, 1956 to shareholders of record at the close of business November 21, 1956.

Transfer books will not be closed.
Checks will be mailed.

W. E. Hawkinson,
Vice President and Secretary

November 7, 1956

228th CONSECUTIVE CASH DIVIDEND

A dividend of twenty-five cents ($.25) a share has been declared upon the stock of BURROUGHS CORPORATION, payable Jan. 21, 1957, to shareholders of record at the close of business Dec. 21, 1956.

SHELDON F. HALL,
Vice President and Secretary

Detroit, Mich.
Nov. 8, 1956

Burroughs

DIVIDEND NOTICES

TEXAS TOY
DIVIDEND

The Board of Directors has declared a quarterly dividend of two cents ($.02) per share on common stock payable on December 15, 1956 to Public stockholders of record November 30, 1956.

Richard D. McCleney, Treasurer

TEXAS TOY COMPANY
1711 Prescot Ave. Houston, Texas

PEPPERELL FABRICS

PEPPERELL MANUFACTURING COMPANY

Boston, October 26, 1956

DIVIDEND NOTICE

A regular quarterly dividend of Seventy-five Cents (75¢) per share has been declared payable November 15, 1956, to stockholders of record at the close of business November 8, 1956.

Checks will be mailed by the Old Colony Trust Company of Boston, Dividend Disbursing Agents.

FREDERICK D. STRONG, Secretary

PUNTA ALEGRE SUGAR CORPORATION

The Board of Directors has declared an additional year end dividend of $.50 per share on the capital stock of the Corporation, payable December 14, 1956, to stockholders of record at the close of business November 20, 1956.

WILLIAM C. DOUGLAS,
Chairman

November 8, 1956.

DIVIDEND NOTICES

The UNITED Corporation

The Board of Directors has declared a semi-annual dividend of 10 cents per share, plus an extra dividend of 15 cents per share on the COMMON STOCK, both payable December 14, 1956 to stockholders of record at the close of business November 26, 1956.

WM. M. HICKEY,
President

November 14, 1956

TECHNICOLOR, Inc.

The Board of Directors has declared a dividend of twelve and one-half cents (12½c) per share on the Common Stock ($1 Par Value) of the Company, and a dividend of twenty-five cents (25c) per share on the Common Stock (no Par Value) not yet exchanged under the Company's Exchange Instructions dated May 19, 1953. These dividends are payable December 18, 1956 to stockholders of record at the close of business December 30, 1956.

DAVID S. SHATTUCK
Treasurer

November 13, 1956.

PHELPS DODGE CORPORATION

The Board of Directors has declared a fourth-quarter dividend of Seventy-five Cents (75¢) per share, payable December 10, 1956 to stockholders of record November 19, 1956, also a year-end extra dividend of Two Dollars ($2.00) per share of which Seventy Cents (70¢) is payable December 10, 1956 to stockholders of record November 19, 1956 and One Dollar and Thirty Cents ($1.30) is payable January 4, 1957 to stockholders of record December 17, 1956.

This makes total dividends declared in 1956 of Five Dollars ($5.00) per $12.50 par value share.

M. W. URQUHART,
Treasurer.

November 7, 1956

TENNESSEE GAS TRANSMISSION COMPANY
HOUSTON, TEXAS
AMERICA'S LEADING TRANSPORTER OF NATURAL GAS

DIVIDEND NO. 37

The regular quarterly dividend of 35c per share has been declared on the Common Stock, payable January 2, 1957 to stockholders of record on December 7, 1956.

J. E. IVINS, Secretary

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — In 1954 the Administration took a relatively feeble step toward weaning the speculative home-building industry away from a little of its dependence upon the government. Whether that little step will be swamped utterly or be allowed to live is something which will be decided in a few months.

This feeble step relates to the Federal National Mortgage Association, a government agency. FNMA for years had been buying (and also often selling) with Treasury cash the very same Federal Housing and Veterans Administration housing mortgages which the Treasury insured or guaranteed through the medium of these agencies.

In the process the government has become the "market" for considerable quantities of those same mortgages it underwrote. At last reading the remaining balance was in the neighborhood of $2.5 billion on hand from operations prior to November 1954. These acquisitions came about because despite the government - underwriting, for reason and another, the various pools of savings money were not available for continuous investment in these government-sponsored liens.

With the Housing Act of 1954, it was proposed that this "secondary mortgage market" should thereafter, with one important exception, stand on its own financial feet. It was provided that every lender wishing to sell his FHA's and VA's to FNMA should be required thereafter to purchase 3% of the principal value of FHA's and VA's so unloaded on to the government, in the stock of the newly - reorganized FNMA.

The Treasury initially primed the new set-up with $93 million of government capital. In theory as the common stock of lenders increased under the 3% stock purchase arrangement, Uncle Sugar's capital investment—some day — would be retired. There was no ironclad requirement that this be done by any given time or in any ratio to private capital subscribed. This is a little oversight which is now proving to be cogent. It is like a New Year's resolution to swear off alcohol some future New Year's.

Go To Market

In theory, also, FNMA would go to the market for its money, selling its own debentures.

The package idea emerges. FNMA would over the years build up private capital. As its private capital increased it would buttress its capacity to borrow every time it went to the well. Eventually as Treasury preferred stock, the initial $93 million, was retired, FNMA would become an almost genuine secondary market for FHA's and VA's, dependent upon the market and if need be limited by the capabilities of FNMA in the free market, and the agency to all practical purposes would become private under a benign government supervision.

Exception

The important exception is that FNMA was continued as a "special assistance" agency to provide a "market," which means to provide the money via the Treasury, for certain favored types of insured mortgages that obviously were not expected to stand on their own feet marketwise, such as housing in Alaska and Guam, military housing (at first, at least), and lately, the generous terms offered for insurance of "housing for the elderly."

In other words, where the Administration wanted to push out money for various special purposes without putting it into an appropriation the FNMA would borrow from the Treasury which would treat it as a public debt transaction and avoid the unpleasant admission, to some extent, of the subsidy nature of the operation.

Nevertheless, the new "secondary market" for FHA's and VA's was to be kept in a separate compartment. Except for the special assistance functions, the bulling up of FHA's and VA's was some day in the Great Hereafter to become a thing of supply and demand and be governed, alongside AT&T, General Motors, or the corner pants presser, by the supply and cost of money in the free market. (The $2.5 billion of portfolio acquired before the New Year's resolution of the Housing Act of 1954 was also kept separate in a "Management and Liquidation" fund for the obvious reason the tender new shoot could not support this burden.)

Strikes at Program

In the steps taken by the Eisenhower Administration late in September to "help the mortgage market" for the FHA's and VA's, very little substantive was done—if indeed it could be done —to prevent the downward drift in the volume of money available for these under - priced loans.

On the other hand, a couple of these steps did go a long way to seal the doom of this timid little 1954 movement toward the private enterprise system.

One of the steps was to reduce the capital purchase required of a lender placing FHA's and VA's with FNMA down to 1% from 3%. This, of course, extends into a practical eternity the time when FNMA could ever stand on its own feet in the free market for funds.

Another step was to raise the price of a standby commitment from 92 to 94. A builder gets a "standby commitment" from FNMA that the FHA-insured or VA-guaranteed house he builds can be transferred on permanent financing to the government via FNMA at 94 points instead of 92 points, or 94 cents on the dollar instead of 92 cents on the dollar, in case the builder cannot find himself a buyer for the house at a more favorable price.

Theoretically the builder would take a licking of 8 cents on the dollar and now 6 cents on the dollar on the sale of a house under such a standby commitment, if used. However, lenders who operate in the government groove regard the stock purchase as a *de facto* discount. The capital purchase having been reduced from 3 points to 1 point, the practical discount is lowered accordingly.

Will Bull Volume

Hence those in the know in the mortgage business believe that the new higher standby commitment price with the lowered stock purchase requirement, will eventually lead to an enlarged placing of the government - sponsored liens into FNMA. For highly technical and mechanical reasons it will take time to prove this up, but there are signs that builders can persuade approved mortgage lenders to accommodate them with an FHA and VA loan which can be turned over to FNMA, without the builder taking too great a licking, or the lender being stuck with holding the loan.

Purchases High

Regardless of what develops under the liberalized standby commitment procedure, however, FNMA already is finding that it is going to have to pay out an enormous volume of funds under the kind of "secondary market" envisaged by the Housing Act of 1954.

Actually, FNMA's average price throughout the continental United States for 4½% FHA and VA loans, at 97%, is above the market, and the purchase offers are flowing in, in tremendous volume. This, regardless of what develops under standby commitments, alone threatens the concept of an FNMA which will be pitched toward being a genuine free market subordinated to supply and demand.

By the end of October, so scarce being money on the under-priced government-sponsored liens, offerings to FNMA were hitting a rate of about $170 million a month, and agreements to purchase not yet processed aggregated some $132 million. Experience has shown that only about 10% of offerings fail to become eligible.

The point is that FNMA is obliged to accept qualified offerings. Therefore in a comparatively short time, FNMA purchases will crowd a volume of $1 billion.

Limit Buying

One thing still remaining of the intended "private" aspect of this secondary market is that FNMA purchases by statute are limited to 10 times capital. Treasury preferred capital is $93 million and "private" capital is about $11 million. This limits the new FNMA secondary market to a dollar top volume of approximately $1 billion. This one limitation survives despite other vitiations of the concept.

Therefore, within a few months FNMA will be legally out of business as a "secondary market" for the government-sponsored liens, because its loanable authority by statute will be used up, regardless of whether it raises this money through the sale of debentures or "temporarily" borrows as it is still permitted to do, from the Treasury.

When this time comes, Congress and the Administration will have a bridge to cross. That bridge will be either to hold tight on the "secondary market" concept as enacted in 1954 and "dry up" this official source for speculative housing mortgage money, or junk it.

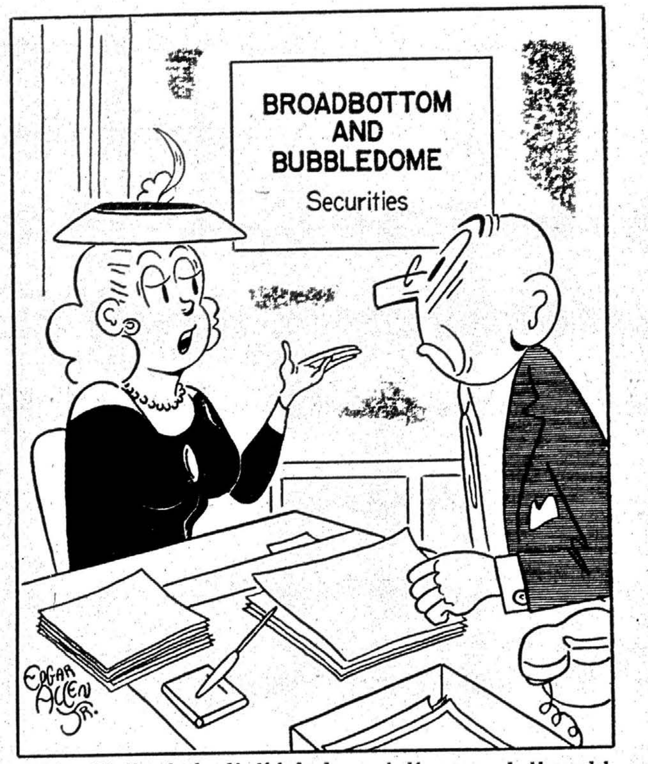
There can be little doubt about which path the Administration will take. The Administration, through Albert M. Cole, Housing and Home Finance Administrator, has already assured the country that there will be FHA and VA mortgage money next year.

This means abandoning the concept of the privately-supported "secondary market" and returning FNMA to its function of being nothing but a window of the Treasury.

This is what happens when a conservative in Congress sells the White House on conservative merchandise. So long as it works, and no longer, will the Administration stay sold.

[*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



"Oh!—Well—I don't think I want it now—I thought the PRICE was 9 dollars and the DIVIDEND 185 dollars!"

With Grimm & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—George T. Mason has joined the staff of Grimm & Co., 532 First Avenue, North.

With Federated Plans

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla. — Paul W. Pain, Alfred G. Richard and Philip E. Whelchel are now with Federated Plans, Inc.