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EDITORIAL

As We See It

It is remarkable, when one stops to think of it, what a limited role philosophical tenets about social and economic systems are playing in the turn that world affairs have taken in recent weeks. It was Egypt's resistance to what it regarded as a colonial or semi-colonial rule which set off the Suez crisis. No citations from Engels or Marx or Lenin were needed or employed in explaining or defending the action taken by Nasser. Neither England nor France were or are particularly concerned about the growth of socialistic or communistic ideas or systems in the Middle East—except so far as economic loss or injury to them might result. No one who has cut his eye teeth supposes for a moment that the Kremlin is motivated by a desire to aid the Arabs by converting them to communism.

What we have here is a group of nations with interests long established in certain parts of the world or with a long cherished ambition to acquire such interests on the one hand and on the other native populations now fairly seething with a newly aroused nationalism and a deep hatred of what is now known as colonialism. The former imperialists are doing all that they can to salvage at least some part of their domains. One imperialist, Russia, is using all her wiles to extend her empire. The so-called backward peoples, with assets that are widely coveted, are, first of all, antagonistic to those countries at whose hands they think they have been exploited in the past. There is no reason to suppose that they are any more desirous of becoming vassals, or worse, of the Kremlin. The Kremlin, however, is using all its

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Some Thoughts on Economic Trends

By S. SLOAN COLT*

Chairman of the Board, Bankers Trust Co., New York

In relating credit policy practical limitations, budget pressures, and persistent rapid wage increases, Bankers Trust head observes: (1) inflation bias can be met without jeopardizing growth or stability; (2) tax reduction is possible with large budget surpluses, an end to inflation, and provisions to stimulate savings; and (3) at most fiscal policy need not aggravate inflation. Mr. Colt pictures recent uptrend in business and prices as a cyclical advance, not likely to persist indefinitely; lists factors which may contain boom pressures to manageable proportions and carry us over the threshold into a promising era of great economic growth potentialities.

Diagnosticians of our economic health seem in rather general agreement that the American economy is demonstrating excellent energy and vitality. The output of goods and services is breaking all previous records, personal incomes are rising, and employment is at a peak. Some industries are admittedly lagging, and agriculture is certainly not sharing in the current prosperity. And yet, never before have so many people enjoyed such a high standard of living as in the United States today.

S. Sloan Colt

Nor is prosperity limited to this country. Abroad, the ravages of war have in large measure been repaired, and most nations of the free world are registering a high level of production and business activity. Clearly, the economic attainments of the past decade have far surpassed what most of us would have thought possible or feasible when the war came to an end. We may derive additional satis-

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*An address by Mr. Colt before the Medical Strollers, Oct. 31, 1956.

Enduring and Non-Enduring Factors in 1957 Outlook

By NEIL H. JACOBY*

Dean, Graduate School of Business Administration
University of California, Los Angeles

Former Council of Economic Advisors' member believes "over-all expansion of the U. S. economy during past three years will continue in 1957," at a slower rate than in 1956, and will not be succeeded by a decline. Dr. Jacoby praises results obtained by use of Classical monetary theory; and finds remarkable the similar tax and money compensatory views held during recent campaign. Concludes Eisenhower's re-election means continued business confidence, and fiscal-monetary policies; and perceives for 1957: rising government and reduced capital expenditures, lower inventory additions, about the same home construction outlay, enlarged consumer expenditures, more competition, and narrower profits.

The victory of the Eisenhower Administration at the polls on Nov. 6 has cleared away some of the fog in our crystal balls. We have a better knowledge of how the present economic policy-makers in Washington will react to the changing economic situation than we would have had with a new Democratic Administration, because we have had nearly four years of experience with this Administration. We know from the record the economic philosophy that guides it. We can better predict its economic actions under changing conditions.

Neil H. Jacoby

I do not mean to exaggerate the differences between the economic views of the two major political parties, nor the impact of the election results on the future of the economy. There has been a gratifying movement of both parties toward the ideological "middle of the road" in recent times, away from the radicalism of

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*An addres by Dr. Jacoby before the Associates of Stanford Research Institute, San Francisco, November 14, 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

Amerada Petroleum—Charles J. Collins, Chairman, Investment Letters, Inc., Detroit, Mich. (Page 2).

Pacific Tin Consolidated Corp. — Howard E. Seibert, of Spencer, Trask & Co., Chicago, Ill. (Page 2).

CHARLES J. COLLINS

Chairman, Investment Letters, Inc.
Detroit, Mich.

Amerada Petroleum

Charles J. Collins

With population on the increase, use of the combustion engine expanding, and chemistry opening new fields, oil's future looks bright. Appearing some months back before the School of Banking of the South, at Baton Rouge, La., the President of Standard Oil of New Jersey stated that his company studies indicated a 63% increase in energy consumption by the United States between 1955 and 1975, with the use of oil increasing from the present 8,200,000 barrels a day to 13,300,000 barrels. In making this calculation, the contribution of atomic energy, as well as coal and hydro-electric power, to the total energy demand was taken into account.

A second important consideration, in studying the oils is that U. S. demand for oil now exceeds U. S. production. This gives added value to companies which hold large reserves in Canada and in South America. Because of the stepped-up drilling activities in this country as new reserves are intensely sought, the earnings outlook for companies supplying the oil producers, such as Halliburton, Dresser, National Supply, and Lone Star Steel, is also improved. This oil shortage detracts, however, from the long-range outlook of companies that are mainly refiners with relatively small crude reserves, or act purely as distributors of oil.

A third consideration, as respects oil shares, is their attractiveness as an inflationary hedge. In addition to the value of current earnings and dividends, the producers and integrated companies (that is, refiners and distributors that also have large reserves) have oil in the ground to supply them over many years. As inflation, or the rise in the general price level, progresses, these reserves become increasingly valuable. This is reflected in the price of the company's shares entirely independent of current earnings considerations.

Amerada meets all of the tests outlined above. Being in the petroleum industry, it will naturally benefit, along with other companies, from the expanding demand for oil products. Being solely a producer, it is in one of the best segments of the industry. Having large reserves, its shares are an excellent inflation hedge. Also, because its reserves are mainly in the United States and Canada, its shares are not subject to the influence of unsettled foreign political conditions.

This is only a part of the story. Another factor in the company's favor has been its consistent and outstanding successes in the discovery of new oil deposits. Estimated at 160 million barrels in 1937, reserves had grown to over 400 million barrels at the end of 1948, and are now placed by most informed petroleum analysts at 750 million barrels, although one widely recognized oil expert states that he can see as much as one billion barrels if he becomes optimistic. In calculations below, we have used the lesser estimate.

Unusual ability of Amerada's management is attested by the company's growth record as shown in the persistent expansion of reserves, this despite the fact of steadily mounting production by the company throughout the years. Some other sidelights will be of interest. For example, relative to its size, Amerada drills only one-half to two-thirds as many wells as the industry average; second, only 29% of the total wells drilled by the company in recent years were dry as compared with a 33% average for the industry; third, the company has pioneered in geological study and research and, through taking advantage of this important avenue, has, time and again, gotten the jump on its competitors in the location of new major fields.

Another factor in Amerada's growth has been the large percentage of profits that has been consistently plowed back into the development of additional reserves. To illustrate, in 1954, out of total cash earnings (net income plus depreciation and depletion of allowances, etc.) of $54.3 million, $43 million was reinvested. In 1955, out of $64 million of cash earnings, $44.5 million was plowed back into the finding and development of oil. This left $19.5 million, $11 million of which were paid out in dividends.

Among the company's more recent important discoveries have been North Dakota, where the corporation owns 35% of the two main fields, and Sturgeon Lake in Northern Alberta, Canada, which eventually may prove to be the largest discovery to date. Amerada was also an early participant in the Williston Basin, having over one million acres in the Montana portion of this region. In partnership with Continental Oil and Ohio Oil, the company obtained extensive concessions in Libya last December.

In valuing Amerada, as true of any oil producer or integrated company, considerable attention must be given to its reserves. Deducting all the other net assets, including 2½ trillion cubic feet of gas, it appears that the market (Nov. 13) is now placing a valuation of 67 cents per barrel on the company's estimated reserves. This is a relatively low figure as compared with a majority of the other oils. It is also low from an absolute standpoint when we take into consideration the fact that the average drilling cost per barrel of oil in this country during 1955 averaged 99 cents, while, if we add the estimated cost of acquiring the land or leases, the geological and geophysical work, field tank batteries, overhead for administration, and other expenses incident to the finding of oil, the cost per barrel is believed to be currently running at near $2.

Earnings in 1955 were reported at $4.02 a share, this comparing with $3.13 a share in 1954. Earnings are held down by the heavy development costs previously discussed, which are conservatively charged against current income. Cash earnings ran at $10.14 a share, this comparing with $8.64 for the previous year. Dividend rate is $2 a share.

Looking to 1956, further earnings improvement is anticipated. For one thing, new earnings should come from Canada based on completion of the Trans-Mountain pipe line which will move oil westward from Sturgeon Lake to the Pacific Coast. The company has approximately 25 oil wells at Sturgeon Lake which, for the most part, have been shut in awaiting the pipe line completion. Larger profits from the North Dakota properties are also indicated following completion late last year of Standard of Indiana's 30,000-barrels-per-day refinery at Mandan, N. Dak. Additionally, there is the possibility that crude oil prices will be advanced in price at a not too remote date if the Suez is not quickly reopened to international traffic. It has been estimated that a 35-cent per barrel increase would raise Amerada's earnings by around $1.50 a share.

Following its important North Dakota and Sturgeon Lake discoveries, the price of Amerada moved up in 1952 to around $117 a share. Since that time, the stock has been resting as production and earnings caught up with the price. Over the same period, the Standard and Poor's average of the price action of five producing companies shows an advance of 40% or more. On the basis of (1) considerations enumerated above, including the potential in large unexplored acreage held by the company; and (2) taking into consideration the rather wide appreciation in prices of shares generally since 1952, and of the oils in particular, Amerada's stock seems out of line. Its purchase is recommended for long term holding at current levels of 108 by those who can forego yield in the interest of appreciation. While Amerada would hardly be immune to general market decline, it should hold up better than the average stock under such conditions and, over a several year period, should sell substantially above current levels. The stock is listed on the New York Stock Exchange.

HOWARD W. SEIBERT

Spencer Trask & Co., Chicago, Ill.
Members N. Y. Stock and American Stock Exchanges, Chicago & New York

Pacific Tin Consolidated Corp.

Tin, Feldspar, and Diamond Mining—here is a combination of economics to conjure with. It does measure the rapid growth in the past few years of Pacific Tin Consolidated Corp.—a company whose common stock warrants a second look. As recently as May 26, 1953, Moody's reported that Yuba Consolidated Gold Fields had bought for $250,981, 40,000 shares of Pacific Tin Consolidated Corp. as an investment (averages $6.78 a share).

Whereas formerly, the consumption of tin was limited to the highly industrialized countries of Europe and North America, today, its use expands rapidly in such places as Asia, South America and some European countries. Russia's industrial expansion could mean a significant increase in tin consumption, particularly if its Five-Year-Plan objectives are to be realized. We are aware of the expansion that has taken place in the United States in facilities for the making of tinplate. It is significant that the Russians in their recent trade talks with the British listed tinplate as a wanted item. China also has approached Britain for the same item. From this it

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Inflation as a Way of Life

By ROGER M. BLOUGH*

Chairman of the Board, United States Steel Corporation

U. S. Steel's chief executive officer calls upon Congress to revise tax laws to offset inflation's "devastating effects," and reminds newspapers of their contradictory stand on inflation. In reviewing his firm's efforts to stem the inflationary tide, Mr. Blough refers to the onerous tax on reinvested earnings, "unearned wage increase" that must come from either profits or higher prices, misconception that rising steel price causes inflation, and adoption of forward looking depreciation legislation by France, England, and Canada. Pending a more realistic treatment of depreciation under the tax laws, Board Chairman Blough urged further issuance of fast amortization certificates.

It is the problem of inflation that I want to discuss. It is no respecter of persons; and it plays no favorites. It strikes—with equally devastating effects—the small business and the large business — the newspaper publisher and the steel maker. Not long ago, one of the largest and richest newspapers in this country was negotiating a new labor contract with the union. According to this newspaper's own statement, its circulation and its advertising had grown substantially. Its revenues had tripled in the past 20 years. But its major costs—for newsprint and payrolls had quadrupled. So it had to raise the price of the paper. It had boosted its local advertising rates eight times—and its national advertising, 10 times. And in spite of all this, its earnings had shrunk.

Roger M. Blough

Now that story is not unique in the newspaper world, as I'm sure you know from your own experience. Nor does it differ in any essential respect from what has been happening to U. S. Steel. Since 1940, our production has increased substantially; but our costs have mounted enormously. So we have had to raise our prices on a number of occasions. And in spite of the fact that last year we shipped 70% more steel than in 1940 and our receipts from our customers have almost quadrupled, our profit rate has declined.

Like the Red Queen in Alice in Wonderland, we have had to run faster and faster, just to stay where we are!

Adopted a New Way of Life?

So I sometimes wonder whether we, as a nation, have unconsciously adopted inflation as a way of life. We call it the problem of creeping inflation—or the wage-price spiral—and we recognize it as a serious problem. We all agree that something should be done about it. But we don't quite know who should do it.

Now, unfortunately, whenever we probe the causes of inflation on a nationwide scale, we find ourselves groping ropelessly in a maze of economic theory. Does inflation result only from profligate fiscal policies of a struggling government? Does it stem chiefly from a too-rapid rise in private debt? Can it possibly be caused by the insistent and successful demands of labor for a constant succession of "unearned" wage increases—wage increases too large to be met out of rising productivity? Economists can argue these questions endlessly; and I, for one, shall gladly leave them to their labors. But when we look at our own books and see what inflation is doing to our own businesses, there is nothing theoretical about it. The problem is perfectly clear.

Let me give you, for example, a few facts from the books of United States Steel; and, for a starter, let's look at our total costs per employee hour. These total costs include wages, materials, replacement, taxes — everything short of profits; and since 1940 they have risen at an average rate of 8.7% per year. That means that every year, for the past 15 years, our total costs per man hour have increased by an average of nearly 9% above the level of the year before. And this increase—like the interest on a savings account in your bank—has been compounded annually.

But while these costs have been rising at the rate of nearly 9% per year, our total production per man hour has been going up at a rate of less than 3% per year. A bit of simple arithmetic, therefore, reveals that the gap between our rapidly rising costs and our slowly-mounting output has been widening at a rate of about 6% each year, since 1940.

So in order to bridge that gap—and in order to pay our bills—we have had to increase prices at an average rate of a little less than 5½% annually—and even this was not quite enough to do the job. If our prices had been raised enough to compensate fully for these skyrocketing costs, during this period, the profit we make today on each dollar we get from our customers would be the same as it was in 1940. But it is not.

Last Year's Profit Not High

In 1940 that profit amounted to 9½ cents on the dollar. Last year—which was by far the best year we have ever had since 1940—the profit was only nine cents. And if we carry the historical comparison

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*An address by Mr. Blough before the National Editorial Association, Chicago, Nov. 9, 1956.

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*Column not available this week.

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Fabulous Foil

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

Some observations on the growth of aluminum and its uses in general; and in particular, the past prosperity and present position of U. S. Foil (B), and its corporate ward, Reynolds Metals.

This is an age of metals; and especially in a war jittery world the big ones are steel, aluminum, copper and nickel. Of these, copper alone has flagged on the demand side, and in point of growth, aluminum has outpaced them all. So today we open with some account of this bauxite beauty, its applications in war and peace; and some appraisal of its velocity of expansion, and whether the industry can continue same.

Ira U. Cobleigh

Aluminum first emerged on the metallic scene before the turn of the century, but it was not until around 1910 that its price was brought down within reason so that door to door salesmen could build up a brisk business with shiny new-style lightweight pots and pans. Since then the production pace of aluminum has been simply terrific. The U. S. output (1955) of 1,565,000 tons was 88 times the 1910 figure, an average compounded growth rate of 8.7%, against the average annual rate increase, in this period, in gross national product in the order of 3%. In the single five year period 1950-55, U. S. production doubled. So you perceive a remarkable history of growth.

Aluminum has zoomed thus due to an unusual combination of qualities. First and foremost, of course, is its lightness — one-third the weight of copper, zinc or iron. As early as 1916, automotive engineers were working on aluminum alloys to take some of the heft off the wheels; and today's 1957 Cadillac Eldorado will pack 200 pounds of aluminum, with the average less elegant chariot toting around 45 pounds. Anything that moves, from a lawn mower to a liner, uses increasing amounts of aluminum, with each new model.

We think of copper as the major conductor of electricity, yet aluminum is breathing on its neck, and has already taken the lead from copper in high voltage transmission lines. Aluminum is also non-magnetic, reflects light and heat, and, in nucleonics, it deflects neutrons. It won't rust, and can be so heated and alloyed as to produce a material far stronger than standard structural steel — hence streamlined trains, buildings, homes and factories and ship superstructures, all of aluminum.

The list of products is a very long one—awnings, blinds, doors, windows, chairs, pans, fans, and cans; planes, mains and trains; coils and foils; sheds and skyscrapers. And a new use is coming along with each passing day. We have all-aluminum boats; we may one day be riding in all aluminum cars; and you now can order colored aluminum.

All this leads to some conjecture as to whether the past pace can be maintained. The experts think it can. Despite burgeoning production, and new postwar entrants into this industry, substantial further expansion is planned to meet an estimated U. S. demand for above 3,000,000 tons in 1960. For example, for the four year period running from Dec. 31, 1955, through Dec. 31, 1959, Aluminum Company of America and Reynolds Metal Company are both projecting capacity increases of about 35%, and Kaiser Aluminum, 60%. Pricewise, aluminum has advanced substantially since the end of the war, but competitive metal prices have advanced even more sharply; so that aluminum's relative cost relationship continues favorable.

With this rough resume of some of the broad economic factors affecting aluminum, let us now move to the second half of our stint for today, and consider a company that has delivered to its fortunate long-term holders one of the sweetest capital gains recorded by any stock listed on the American Stock Exchange in the past four years—U. S. Foil, B. This exciting equity moved from a low of \$5 a share in 1953 to a high this year of 60¾. One thousand dollars lodged at the low 1953 price in this issue, and carried to the 1956 high, would have grown to \$12,000, not counting dividends! (Why didn't I write this piece in 1953?)

Despite this spectacular market rise, U. S. Foil Company and its shares are not particularly well known. Organized in 1919, the original function of U. S. Foil was to turn out cigarette foil which was, presumably, not hard to sell, since the founder's uncle was named R. J. Reynolds. Nine years later, however, the manufacturing end of the business was turned over to Reynolds Metal Company, and U. S. Foil became a holding company—with its major holding being a 47.69% of the outstanding shares of Reynolds Metal Company. (There are also lesser investments including controlling shareholdings in Eskimo Pie Corp. and Reynolds Research Corp.; and a block of Robertshaw-Fulton Controls.) Today, for each share of U. S. Foil (there is a Class A common, voting, closely held; and Class B, actively traded, identical in equity position, except that it has no vote), there is in portfolio 93/100 of a share of Reynolds Metal. So they should sell, or so one would think, at about the same price. But they don't! At the close on Nov. 19, Reynolds Metal sold at 60⅛ and U. S. Foil B at 40⅜, a discount of roughly one-third. This discrepancy baffles investors, and suggests that if you think well of Reynolds Metal, the best way to share in its fortunes is by buying U. S. Foil B.

You should think well of Reynolds Metal, for it's quite a company. It's the second largest aluminum company in the United States, completely integrated from mines, via ore-transport ships, to reduction and fabricating plants. In 1940 sales were \$29 million, \$20 million of it in foil; while for 1955 sales were \$384 million and included, in addition to foil, aluminum pig and pigments, sheeting, rods and extrusion.

Reynolds has moved its net majestically forward from \$12,600,000 in 1950 to \$34,310,000 for 1955. Earnings are expected to hit another new high this year of about \$4.50 per share on the 10,055,065 common shares listed N. Y. S. E. and now selling at 60. Last year there was a cash dividend of 45 cents and a 5% stock dividend. This year's earnings could certainly support a similar dividend program.

All aluminum companies go rather light on cash dividends, preferring to retain earnings for expansion. You can see why in the case of Reynolds. From 1951 through March 31, 1956, Reynolds Metal spent about \$250 million on plant expansion. Another \$150 million will be laid out for further plant buildup within the next three years, so some further financing of Reynolds may be expected. A convertible debenture, with subscription privilege running to shareholders, seems not illogical in this market. In such an event, U. S. Foil presumably would take up its subscription rights.

U. S. Foil B pays 40 cents. The stock was split 6-for-1 just a year ago, and there were stock dividends of 5% each in 1953, 1954 and 1955.

Now the billion dollar question about aluminum relates to maintenance of velocity. Here, in recent months, we have seen aluminum shares slip from an 18 to 20 times price/earnings ratio down to about 13 times. Somewhere around this level, aluminum shares are going to look pretty cheap historically, and on the simple fact that there appears on the horizon, no abatement in the expanding demand for aluminum in the foreseeable future. And among the cheapest issues appears U. S. Foil B which, in relation to Reynolds Metal indicated per share earnings of \$4.50 for this year, now sells at nine times earnings. For growth we prefer Foil to oil.

With W. H. Newbold's Son

PHILADELPHIA, Pa. — W. H. Newbold's Son & Co., members of the New York Stock Exchange and other leading exchanges, announce that Leslie A. Bryant, Donald C. Esty, Miss Elizabeth H. Wilson and William E. Davies are now associated with the Firm's Ardmore, Pa. office.

Announcement was made also that Samuel W. Fleming, III. is representing the firm in Harrisburg, Pa.

Situation of Tight Money

By WILLIAM H. NEAL*
Senior Vice-President, Wachovia Bank & Trust Company, Winston-Salem, N. C.

North Carolina banker offers outlook of excellent fourth quarter, despite unsatisfied credit demand, and high business activity for 1957. In tracing the causes of credit scarcity, Mr. Neal explains the role of Federal Reserve during the current situation. Concludes with the belief we can solve our problem of abundance.

For the first time in more than 20 years the American economy is faced with the problem of tight money, or restrictions on credit, and not having had recent experience in this, our people are somewhat perplexed by it. It is well to remember that we have had numerous such periods in the history of our economy, and if we examine the record of other tight money periods, we can gain assurance and realize there is no cause for undue anxiety.

William H. Neal

Today all lending institutions—banks, insurance companies, savings and loan associations, savings banks, finance companies, mortgage lenders—are now lending the largest volume of credit of all times. However, even this peak lending activity is not sufficient to meet all demands for credit. The result is that interest rates have gone up, many banks are borrowing from the Federal Reserve System or their correspondent banks, credit shortages are showing up, particularly for new home construction and long-term credit needs. Lending institutions are becoming more selective and bond prices are depressed, making it difficult to float new issues.

What are the causes of this scarcity of credit? Certainly it is not because banks have reduced the volume of outstanding credit or are calling loans. The volume of bank credit continues to expand. However, the demand for credit is growing more rapidly than the available supply.

Causes of Credit Scarcity

The chief causes are: (1) the unprecedented expansion of our economy, sparked by tremendous industrial growth and the necessity for larger inventories to meet increased sales volume; (2) the rapid increase of our population, requiring a tremendous volume of new homes to house our people; (3) with the Federal budget balanced, our government is not creating billions of additional money through deficit financing; (4) the volume of new savings has not kept pace with the need for new capital; (5) the Federal Reserve Board is carrying out a policy of credit restraint.

It is important to understand the role of the Federal Reserve in the current situation.

Our Constitution gives Congress the authority to regulate and control the supply of money, and Congress has delegated this authority to the Federal Reserve Board. The Board, in turn, keeps the supply of money regulated through (1) changes in the rediscount rate; (2) open market operations—the sale and purchase of government securities; (3) through adjustment in the reserves of banks. These controls are not infallible, although they can have a strong effect on the economy. It is the Federal Reserve's responsibility to maintain a balance between the supply of money and volume of goods and services available.

The purpose of the current Federal Reserve restraint on credit is to prevent inflation and to keep the current boom from getting out of control. Our productive facilities are running at capacity in most lines and with wages increasing, we could experience a spiral of rapidly rising prices, and some control is necessary.

Traditionally, a period of bust has followed our periods of boom in America. Certainly we should be willing to have some restraints applied now rather than run the risk of uncontrolled inflation and the inevitable economic chaos that follows.

Fourth Quarter Prospects

Despite the credit shortage, the prospects for the fourth quarter of 1956 are excellent. Our Gross National Product is currently running in excess of \$400 billion a year, our steel mills are operating at capacity, new automobiles are beginning to move, business construction is still at high levels and the prospects for Christmas trade are excellent. Money will probably not get easier for some time, and interest rates will con-

*Based on an address by Mr. Neal before the Honolulu Chamber of Commerce, Oct. 25, 1956.

tinue high in the months ahead. Yet, there will be ample credit available for seasonal needs, and a substantial supply to take care of additional requirements for consumer credit.

There will be some tightening of terms and larger down payments required on consumer purchases. Mortgage credit will continue tight, but there will still be enough credit available to sustain a high level of business construction and new homes. It is pertinent to note that although the number of new housing starts this year are down 23%, the volume of mortgage loans made is down only 6%.

Some of the current feverish pace of business will slacken as the brakes of credit control are applied. The restrictive policy of the Federal Reserve is a gradual one. The Board is anxious not to apply the brakes too quickly and run the risk of serious damage to the economy. The aim is to slow down, not to stop. Despite the restrictions and despite the increasing difficulty of securing loans for certain types of projects, most economists look to 1957 with cautious optimism. Next year's gains in the economy, compared with 1956, may not be impressive and undoubtedly there will be some soft spots, but generally speaking the outlook is for another year of high business activity.

Problem of Abundance

Secretary of the Treasury, George Humphrey, recently stated the situation as follows: "Our problem is to live successfully and permanently with prosperity. What we have now we want to keep. We want good times to continue. Dealing with this problem may be tougher than the problems of adversity, for when you are in trouble the whole idea is to get it over with, to make a change. Now we want to have exactly the same problem next year, the year after, and as far ahead as we can see. Too much all at once is our happy problem."

It is well to remember that the bulk of our problems today in this great land of ours are problems of abundance, while in most of the other areas of the world, their problems are ones of scarcity—not enough food, not enough clothing, not enough housing and, according to our standards at least, a very meager way of living. Certainly, with all of our resources and with all of our inventive genius, with mass production and mass consumption, we can solve our problems of abundance.

The State of Trade and Industry

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

The trend of over-all industrial output, in the period ended on Wednesday of last week, continued to reflect a moderately higher level than that reported in the comparable week a year ago.

Increases in production were registered in the steel, electric power, petroleum and automotive industries the past week, while output of lumber, coal and some food products was somewhat under that of the previous week.

With respect to the employment situation, the number of new claims of jobless workers for unemployment insurance rose 16,900 to 218,000 during the week ended Nov. 10, the Bureau of Employment Security of the United States Department of Labor reported.

The agency called the rise seasonal. The latest weekly total was 30,400 above the 188,400 total for the corresponding week a year ago, but the Bureau pointed out that the 1955 figure was "unusually low" because of holidays.

At the same time, it noted the number of auto workers laid off since the first of the year in seven major auto producing states and not recalled was 95,000 for the week ended Nov. 10. This was a drop of 8,800 below the previous week's total and the first time the number laid off has gone below 100,000 since the latter part of March.

Industrial production reached record levels in October, despite a lag in building, the Federal Reserve Board recently reported.

The Board's industrial production index jumped to 150% of the 1947-49 average, or a four percentage point increase over the September level and three points above production in October of last year, the highest previous monthly level.

With seasonal factors included, last month's industrial production equaled the September level at 145%. This had been one point above the previous record monthly high set in December last year and two points above the October, 1955, level.

Non-durable goods production in October was at the record of late 1955. Activity in the textile, apparel, leather and rubber products industries scored further increases in October.

After a sharp cutback during the five-week steel strike in mid-summer, industrial production has scored successive gains in August, September and October. The unadjusted index rose from July's 128% to 150% in October. The seasonally adjusted barometer advanced from 136% in July to 145% in both September and October.

The Board, summarizing current business conditions, stated: "Industrial production, employment, and incomes were at record levels in October. Construction activity declined slightly. Retail sales remained moderately below their earlier highs and somewhat above a year ago. Prices of industrial commodities continued to rise from mid-October to mid-November, while farm products declined seasonally. Demand for funds continued strong, especially from business, and interest rates rose."

Steel demand is straining mill production facilities to the limit, and the situation has reached the point where even minor breakdowns are critical. Despite breakneck production, incoming orders are exceeding output at most mills, "The Iron Age," national metalworking weekly, stated on Wednesday of this week.

Some steel sales people are predicting capacity operations through the first half of 1957, and perhaps beyond. A serious breakdown in international relations could make matters worse.

The apparent calm of the present market is misleading. Beneath the surface, a quiet jockeying for position on mill order books is going on among steel buyers. For some it's a matter of making good or cutting back operations, this trade weekly declares.

Rolling mills turning out plate and structural products are running at capacity. Despite this, hardship cases continue to pile up. These cases include schools, commercial buildings, plants, highways and bridge projects. Some top-level projects are among the casualties, the magazine continues.

The automotive market is strong and will get stronger. Some Detroit purchasing agents are under pressure to hold down year-end inventories for tax reasons. This is a gamble that may or may not pay off. Trying to make up this tonnage in January could create a serious crisis for the automakers and other consumers, "The Iron Age" states.

If the longshoremen's strike continues, it could relieve some of the pressure on steel scrap prices, which are now at record-breaking levels. Scrap scheduled for export would be diverted to domestic consumers and prices would tend to level out.

This, however, would not bring much cheer to the mills. A long shipping tieup would strike another blow at their iron ore supplies, already suffering as a result of last summer's strikes in the ore fields and on Great Lakes carriers. Losses would be felt next spring, when ore stocks are at low ebb before Lake shipping opens, this trade authority points out.

Meanwhile, the Defense Department is getting jittery over effect of the Suez crisis on demand for plate and oil country goods. It is taking another look at proposals to reopen expansion goals for plate and pipe. This would permit mills to take fast tax write-offs for new facilities, expanding capacity of these critical products. The question may be up for decision in a few weeks, concludes "The Iron Age."

In the automotive industry domestic passenger car production last week was the strongest since mid-January, advancing to a 600,000-unit monthly rate, "Ward's Automotive Reports" stated on Friday last.

"Ward's" counted 145,609 completions in the past week's schedules compared with 132,087 in the week previous, putting operations at 81% of the year-ago week.

Painfully slow production progress at some companies is being matched by near-peak assemblies at others, with heavy emphasis

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Observations . . .

By A. WILFRED MAY

MIDDLE EAST NOT THE ONLY WORRY

HARRIMAN, New York—The deliberations on the Far East by the highly authoritative American Assembly gathered here this week strikingly highlight the ominous fact that the Middle East embodies but one of the world's troubled areas, and that the overwhelming crisis now raging there constitutes merely one of many sets of vital problems with which United States diplomacy must contend.

A. Wilfred May

And four days of full, and at times quite heated discussion of the *United States and the Far East* by 60 of the country's leaders in government, international affairs, business, labor and other professions, emphasized the fact that the questions facing us in that area are by no means confined to the seating of Communist China in the United Nations debating society, or her recognition by us. Actually they encompass not only mainland China and Taiwan (Formosa), but Korea and Okinawa, and not forgetting Vietnam, Hong Kong and the Philippines.

There are many specific problems in the area, which, as the group has pointed out, are partly local in character and partly discussable solely in the context of a larger area. Again some susceptible of unilateral treatment, others requiring the joint attention of many nations; with our own policies and programs requiring flexibility as to content and timing, and requiring active cooperation with our friends.

That Economic Aid Question

One of the most crucial and nettlesome questions in the area is the determination of a proper economic aid policy, which cosmic question is currently being explored in four concurrent special governmental surveys: by the Senate Foreign Relations Committee under a $300,000 appropriation enlisting the aid of the Brookings Institution and other economic experts; by the House Ways and Means Committee; the House Foreign Affairs Committee; and the Fairless Committee.

What is Uncle Sam's responsibility? Should it be without ceiling? Should *our* resources—or the donee's need—govern?

As in so many other parts of the world, defense needs upset economic balance, particularly in Japan, in the Republic of South Korea, and in Taiwan. Particularly in the case of the two last-named countries, the conferees found that if they shall continue as important areas from which the Communists are to be excluded, they will require, in addition to military assistance from the United States, economic help for the support of their own defense establishment. Citing the generous economic support which the United States has already given, the group could find no alternative to its continuance, with the qualification that success will depend much more on the initiative and efforts of the people concerned than on the outside world.

Here enters the continuing and highly controversial question of whether our aid generally should be via bi-lateral arrangement, or extended as part of United Nations contribution (with UN Ambassador Lodge, among many others, favoring the latter). This the Assembly here, after extended panel and corridor discussion, ducked with the following compromise wording: "Advantage should be taken, where appropriate, of international agencies, in solving the economic problems."

Chinese Trade

Again in the economic area, there are the questions surrounding the complete embargo on our commerce with Communist China, and the liberalization of our two-way trade with Hong Kong. After lengthy deliberation here the Assembly participants arrived at the conclusion that measures should be fully explored looking toward a liberalization of such trade with Communist China as would not impair the security position of the non-communist countries; reasoning that this would not only provide

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Whose Responsible for Inflation —Government or Business?

By ROBERT R. YOUNG*
Chairman, New York Central Railroad

Mr. Young takes issues with Secretary Humphrey on the stability of the "Republican dollar." Contends that in the face of tightened money rates, the real inflationary forces go on unabated in the form of the wage spiral, taxes, and hand-outs overseas. Maintains wage increases are not a necessary adjustment to inflation, but its main cause, and constitutes a cruel form of theft. Depicts unfortunate plight of the nation's railroads, ascribing it to discriminatory taxation and other destructive policies by government and labor.

You have heard and read much about the rising interest costs and shortages of credit which promise to become the most important domestic problems facing this Administration, adding a powerful new inflationary force to an already hardship situation. There is not only the direct cost in higher interest but also the reduced productivity that must eventually flow from postponed capital projects.

Robert R. Young

There are other far more inflationary forces, however, which are ignored by most of our writers and speakers. Indeed, there seems to be a calculated effort to suppress the facts about inflation.

Mr. George Humphrey, in a recent speech, boasted of the stability of the Republican dollar, implying that the rise in the cost of living under the Democrats was due to: "arbitrarily cheap and plentiful money."

Real Inflationary Forces Unabated

Dissenting from this view as a business man, and not as a partisan, my experience is that easy money under the Democrats encourged increased capacity and automation which made operations less costly, thus slowing the rise in the cost of living. The real inflationary forces, the wage spiral and the export of capital, go on unabated.

Wage increases have not been a necessary adjustment to inflation, as we are taught to believe, but are its prime cause. Since 1932 wage rates have risen an enormous 320% while the increase in consumer prices has been only 100%; thus it is plain that wages have led and prices only sluggishly followed. The only possible way to maintain this relationship if wages continue to be forced up is to still further increase productivity. Tight money discourages it.

And as for the export of our savings. Republicans once were so high-principled, they said, that they opposed Democrats on a few millions of badly needed relief for the unemployed. Last summer they bemoaned an appropriation of $4 billion of Foreign Relief for Heaven-knows-whom because, as they alleged, it was not enough. Economists know why the "hand-out" overseas, because it does not fill a domestic need, is more inflationary than a "hand-out" at home.

Our fiscal authorities have correctly attributed our resulting capital shortages to a deficiency in savings, but they believe like stern fathers pointing to our piggy banks; saying nothing about the fact that the old-fashioned American savings that once went into common stocks, life insurance and time deposits, continue to be siphoned off to find their way eventually through foreign bureaucrats and entrepreneurs into the gambling casinos and wine cellars of the Riviera. You remember that wry line that came out of 1929, "Where are the customers' yachts?" Now, on those rare occasions when I can make the Mediterranean, I wonder, "Where are the Americans' yachts?"

No; business cannot be made the scapegoat for inflation because of its abuse of credit or its failure to save. It has been as frugal in its demands on bank capital as it has been efficient in reducing costs; for, I find that our gross national product since 1929 has risen nearly four times as fast as bank capital.

Our money managers flatter themselves when they pretend that they check today's inflation by the orthodox measures which they should have used to stop the flow of credit into the stock market in 1929. Those 10% margins were the indirect cause of the New Deal, hence most of today's troubles. If they would really check inflation they would call upon Congress to curb the excesses of labor and taxes. Only thus can our savings meet the capital needs of constantly growing demands.

There is no failure to appreciate the dangers of inflation; for, Mr. Humphrey has described it as "the cruelest form of theft — a theft with the greatest harm to those least able to protect themselves." Yet in a Treasury bond advertisement, built around his personal signature and photograph, the Secretary characterizes savings bonds as, "a reservoir of future purchasing power." Perhaps his legal advisers helped him with that word reservoir—a receptacle which can be drained down to the last drop; for, half of the original purchasing power of these savings bonds has already gone down the drain.

Labor's Inflation a Form of Theft

To inflate labor at the expense of agriculture, housing, transportation, the service industries, and the white collar class, all of whose income lags far behind labor's, is also a cruel form of theft, as cruel as it is to strip those who retire on their hard-earned pensions. It is only by such thefts that Mr. Humphrey's boasted honest Republican dollar has been temporarily sustained — to go a glimmering when these tardy segments catch up, as they must, if their worn out facilities and denuded purchasing power are to be renewed. The alleged benefits of this built-in wage inflation in which most must lose for a few to gain are wholly immoral. And as Mr. Humphrey says, the losers inevitably are those least able to protect themselves. Already, some of our pensioners seek Congressional relief; and, frankly, they are entitled to it.

The Left Wing Line

Those who believe the left wing line, unanswered by business, that our present full economy is based on rising wages, lavish defense and careless foreign relief, should be reminded that we spent on our defense establishment in 1929 less than 2% of what we spent last year and foreign relief was undreamed of. The prosperous "Twenties" were founded on declining prices and taxes accompanied by huge reductions in government debt — three stimulants, time honored in their integrity, now widely feared as deflationary. We might have expected Harry Hopkins, still plagued by unemployment after six years of the New Deal, to tell us that to avoid a recurrence of 1929 we must accept wage inflation, wartime taxes and a foreign policy of universal meddling; but we hardly expected a Cabinet drafted out of big business to tell us that.

The great depression was not, as many would have us believe, a normal phase of the old-fashioned economy, because the brief downswings of all but that one out of our many economic cycles were more salutary in their aftermaths than otherwise. The crash of 1929, why that could no more recur, even without our new checks and balances, than could Amsterdam's Tulip Craze.

Another popular delusion our money managers should brand as a fraud is the constantly preached one that our foreign trade must be preserved even at the cost of war. The net profit on our foreign trade from the time of wise George Washington on down to our 1914 entanglement amounted to only 2% of the cost of the first World War. The second which grew out of our continued meddling in the still further partition of already hopelessly carved-up Europe cost us seven times as much as the first. Even that little "police action" against the North Koreans cost us more than the profit on all our foreign trade since Columbus, as much, perhaps, as it would have cost us to stamp out the seat of infection in Moscow once and for all.

The Last Straw

Neither would there have been this Korean war if we had not created the 38th parallel; and, of course, our partition of Palestine is the self-imposed last straw that now leads us to brandish our nuclear weapons. It is in keeping with the morality of our foreign policy decisions that we resort to these strong measures, not when Poland, Indo-China or South Korea are violated, but only when Russia threatens to carry out our very own 1950 joint commitment with France and Britain to suppress any aggressor in the Mid-East: a hodgepodge of Allied blunders we now dump on the U. N. As a result, when once there was no nation that did not admire and respect us, now there is not one that does. If we in business parlayed such holocausts out of such expenditures we would face many more proxy fights than some of us have recently enjoyed.

Concern of a Railroad Man

Lest some of you think that inflation and foreign policy are of no concern to a railroad man, let me remind you of this: While our politicians in their subsidy and tax discrimination have held first class passenger fares since 1929 down to a puny rise of only 18% they have encouraged rail wages to triple. Coach fares are actually lower today than they were 27 year ago.

Our railroads no sooner stagger up from one of these wage increases than they are met by the bludgeon of the next: "pay-offs" to our only Congressionally-licensed monopolists, a process of exploitation of the less favored unctuously called "Negotiation." And what could be more inflationary, more degrading, more destructive of the joy of accomplishment, than a work rule which requires two men where one is needed? To subvert man's enterprise is to corrupt his Divine gift of aspiration, the quality which elevates him from the animals. Crush this precious gift entirely and we become no more than bovine chewers of the cud, easy prey to the voracious and insatiable State, malignant or benign.

If anything can be more inflationary than a wage monopoly it is taxes. Under the Monroe Doctrine our taxes were virtually nothing. Under the World Meddlers they eat up a third of the national income. As a result consumer prices are grossly higher than they would otherwise need be.

The Organized Slowdown

And those who think taxes, the price we pay for our constant failures in foreign policy, do not warp ambition and curb enterprise have never sought to pry a man out of a good job by a big salary increase. Nor can I blame a family for not wanting to pick up and move just to serve as a conduit to the U. S. Treasury, and thence to some Greek Syndicate. So little is the material reward left for high attainment I would pause before advising a young man to put a medical career very much ahead of that of a golf pro. Why should the family doctor respond to calls at all hours from neighbors who practise the organized slowdown and, consequently, yearn for Mr. Nixon's four-day week. And speaking of the idle rich, the big houses of the Lords of England, who have only time for trouble making, can be converted into museums without any loss to their economy. But we must preserve the material rewards of our pioneers of business if we are to go on enjoying their miracles. If they must be leveled down, let's be selfish about it and wait until their death, as God does.

The last cut of any consequence in the steeply graduated income tax, the joint return, came away back in 1948. It is one thing to work overtime in wartime, or from force of habit, but in this new peacetime culture of universal mediocrity imposed upon us by the tax guillotine, will coming generations aspire to promotion with its accelerating responsibilities at decelerating rewards?

Just as the railroad man cannot forget inflation and taxes, how can you forget your dependence on cheap transportation when its urgency is registered in all the bloody pages of history. Go back far beyond Suez to the legendary days of Troy whose site, at the entrance to the Dardanelles, dominated the dark waters that flow

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*A speech by Mr. Young before the Economic Club of New York, New York City, Nov. 19, 1956.

Are Our Money Controls Outmoded?

By S. CLARK BEISE*
President, Bank of America National Trust & Savings Ass'n
San Francisco, Calif.

Pointing out that our banking system consists of such diverse organizations as the Federal Reserve, Home Loan, and Land Banks on the one hand, and a variety of private organizations as commercial banks, insurance and mortgage companies on the other, with different sets of ground rules, Mr. Beise demands some broader form of monetary control, so that the instruments of monetary policy can be adapted to present-day conditions. Maintains monetary controls exercised by the Federal Reserve operate on too small a segment of our financial system for effectiveness, and recommends establishment of some form of variable cash requirement for nonbank financial institutions. Calls on President to appoint non-political commission to review our entire financial mechanism.

Regional differences of thinking and practices are disappearing, and more and more we are finding common denominators in all parts of the country. It is not surprising, therefore that businessmen everywhere, operating within the same economic framework, should exhibit a similarity of interest, outlook and concern toward the problems and issues before them. The fact that a Westerner can come to the financial center of the United States to discuss monetary policy and controls is but one illustration of the point.

S. C. Beise

That Much-Discussed Subject

Monetary policy has been a much-discussed subject of late. The specter of inflation, rising interest rates and "tight money" all have worked together to direct our attention to this field. Monetary policy has been featured so prominently in business journals and the press that one scarcely can have avoided encountering the topic more than once. Because of current interest in the subject, this seems to be an appropriate time to take a broad look at the structure of our financial system and see whether monetary controls as exercised by the Federal Reserve Board operate on too small a segment of our financial system to be effective. If you come to the same conclusion as I do—that they do—then we can examine some of the problems which make it difficult to implement a national monetary policy under existing conditions.

Three Basic Questions

Let us approach the issue of "Are Our Monetary Controls Outmoded?" by asking ourselves three questions:

(1) What are the basic characteristics of our monetary controls?

(2) What is the structure of our financial system and does this structure respond readily to monetary controls? and

(3) In what directions may we fruitfully seek improvements?

The answer to our first question may easily be found. The instruments of monetary policy, in the United States as in other countries, were designed to operate through the banking system. Specifically, they were designed to control the volume of money and the availability and cost of credit by regulating the supply of bank reserves. Now, so long as the country's banking system and its financial system were substantially one and the same thing, monetary policy could be applied to a sufficiently broad bas to be effective. But it is harly necessary to point out that the financial system we have today is not the same as that for which our monetary tools were originally devised. The development and growth of financial institutions that are in many ways competitive with commercial banks has altered the pattern of our previous structure and has significantly affected the operation and control of our financial system. This, then, brings us to our second question.

What is the structure of our financial system today, and does this structure respond readily to monetary controls?

The Varied Existing Entities

In the United States of 1956 we have a financial system consisting on the one hand, of such public entities as the Federal Reserve Banks, Federal Home Loan Banks, Federal Land Banks, and Government pension funds; and, on the other hand, a wide variety of private entities. Among the latter are commercial banks, mutual savings banks, savings and loan associations, credit unions, life and property insurance companies, pension funds, investment funds, finance companies, and mortgage companies. This is by no means a complete list.

These diverse organizations are governed by many separate laws, regulations and administrative bodies, and they are subjected to widely varying degrees of intensity of regulation. This situation has inevitably given rise to many inconsistencies, inequities, contradictions, and conflicts of interest.

Now, how did this complex situation come about? One contributing factor — although not the whole explanation—is the piecemeal legislation enacted or administered by independent political agencies of Federal and state governments. Beneath the surface conditions which evoked action, however, often flowed deep and powerful currents of public needs, as well as eddies of political expediency. Some of the legal restrictions affecting banking were originally adopted for the purpose of correcting previous excesses and abuses. Public opinion demanded that there be no possibility of a repetition of such shortcomings. Some of the reforms of the past half century, however, have had the unforeseen effect of limiting the capacity of the banking system to mobilize savings and to finance our expanding economy. The result has been that other institutions have come into being, or have grown, to fill the void.

Differing Sets of Ground Rules

The circumstances just described necessarily have produced a competitive environment characterized by different sets of ground rules, which place some institutions at a disadvantage. For example, certain regulations, such as those establishing high cash reserve requirements, as well as those that limit the rates of interest that may be paid on savings, apply only to commercial banks. Other regulations, including some which affect the basis of taxation and others which limit the maturities of loans and the amounts that can be loaned against real estate collateral, are more favorable to some of the financial institutions than to others. At the extreme, we find only nominal regulation, as in the case of finance companies.

In addition to the tremendous proliferation and growth of private financial institutions during the past half century, many public credit institutions have also been established and today they play a very sizable role in our financial setup.

As you know, the Government maintains certain specialized Federal agencies which provide credit or guarantees and insurance for programs in various fields of activity, especially agriculture and housing. In some cases, these agencies extend credit directly to ultimate borrowers; in other cases they provide markets for eligible paper held by their member institutions. To the extent that the banking system buys the obligations of these Government agencies, these agencies act as intermediaries between the banking system and the borrowers, and thus in effect substitute the Government's credit standing for that of the ultimate borrowers. This means that the banks wholesale this kind of credit at lower rates of interest and on different kinds of paper than would be the case if they retailed the credit. Of course, the public interest may dictate the Government's role in this process. But it should be recognized that these Federal agencies are not compelled by law to coordinate their policies with those of the Federal Reserve and that there can be, and at times there have been, serious differences of opinion regarding policy. The activities of these agencies, therefore, can and definitely do affect both the

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*A speech by Mr. Beise before the Economic Club of New York, New York City, Nov. 19, 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.

Auto Industry in Japan—Analysis—In current issue of Nomura's Investors Beacon—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue is an analysis of the **Japanese Steel Industry** and Japanese **Stock Market.**

Burnham View — Monthly investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter.**

Chemical & Pharmaceutical Briefs—Bulletin—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Fair Return for Airlines—Bulletin—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Greenbrier Holiday—Pictorial brochure and information on special winter rates at C & O's resort hotel—Chesapeake and Ohio Railway, 3809 Terminal Tower, Cleveland 1, Ohio.

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.

Off Shore Oil in the Gulf of Mexico—Analysis—Calvin Bullock, Ltd., 1 Wall Street, New York 5, N. Y.

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

Personal Property Tax Free Long Dividend Paying Stocks—1956-7 edition — Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

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.

Textile Industry — Bulletin with particular reference to **M. Lowenstein & Sons Inc.** and **J. P. Stevens & Co., Inc.**—Abraham & Co., 120 Broadway, New York 5, N. Y.

West's Third Largest City—Booklet on trailer owners and the industry in general — Trailer Coach Association, 607 South Hobart Boulevard, Los Angeles 5, Calif.

* * *

Aerovias Sud Americana, Inc.—Analysis—Beil & Hough, Inc., 350 First Avenue, North, St. Petersburg, Fla.

Air Control Products Inc.—Analysis—First Securities Corporation, 111 Corcoran Street, Durham, N. C.

R. C. Allen Business Machines, Inc.—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Aluminium Limited—Analysis—McLeod, Young, Weir & Company, Limited, 50 King Street, West, Toronto, Ont., Canada.

American Machine & Foundry Co.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Anschutz Drilling—Report—General Investing Corp., 80 Wall Street, New York 5, N. Y.

Atlas Powder Company—Report—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a memorandum on **Kelsey Hayes Wheel Co.**

British Industries Corp.—Analysis—Strauss, Ginberg & Co., Inc., 115 Broadway, New York 6, N. Y. Also available is a bulletin on **Elk Horn Coal Corporation.**

California Packing Corporation — Analysis — Dean Witter & Co., 45 Montgomery Street, San Francisco 4, Calif.

California Water & Telephone Co.—Analysis—J. A. Hogle & Co., 50 Broadway, New York 4, N. Y. Also available is a bulletin on **Canadian Superior Oil of California.**

Chase Manhattan Bank—Report—The First Boston Corporation, 100 Broadway, New York 5, N. Y.

City of Chicago Waterworks System Revenue Certificates—Circular—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Colonial Stores, Inc.—Memorandum—R. S. Dickson & Co., Wilder Building, Charlotte 2, N. C. Also available is a memorandum on **Wachovia Bank & Trust Co.**

Compo Shoe Machinery Corporation—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a bulletin on **Temco Aircraft Corporation.**

Cook Electric Co.—Analysis—Blunt Ellis & Simmons, 208 South La Salle Street, Chicago 4, Ill.

Daystrom Inc.—Memorandum—McDonnell & Co., 120 Broadway, New York 5, N. Y.

Federal Uranium Corp.—Bulletin—Robert P. Woolley & Company, Crandall Building, Salt Lake City, Utah. Also available is a bulletin on **Radorock Resources.**

General Transistor Corporation—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Gum Products, Inc.—Report—Price, McNeal & Co., 165 Broadway, New York 6, N. Y.

Houdaille Industries, Inc.—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

International Petroleum Company Ltd. — Analysis — White, Weld & Co., 40 Wall Street, New York 5, N. Y.

R. H. Macy & Co. Inc.—Analysis—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available is the current issue of "Gleanings" discussing the Potentialities in the Banks and Lower Quality Railroad Bonds.

Marmon-Herrington Company, Inc.—Analysis—Unlisted Trading Dept. (Room 707), Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Glenn L. Martin—Analytical brochure—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill.

Minerals & Chemicals Corp.—Memorandum—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

Missouri Research Laboratories—Analysis—Morfeld, Moss & Hartnett, 721 Olive Street, St. Louis 1, Mo.

Oxford Paper—Report—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a report on **Consolidated Cigar, Emerson Electric, Pure Oil,** and **National Steel.**

P. R. M. Inc.—Analysis—Gardiner, Annett Limited, 335 Bay Street, Toronto 1, Ont., Canada.

Reynolds Tobacco—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Royal McBee Corporation—Analysis—Seligman, Lubetkin & Co., 30 Pine Street, New York 5, N. Y.

Southern Natural Gas Co.—Memorandum—Auchincloss, Parker & Redpath, 729 Fifteenth Street, N. W., Washington 5, D. C. Also available is a memorandum on **Yale & Towne Manufacturing Co.**

Stewart Warner Corporation—Analysis—Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y.

Texas Illinois Natural Gas Pipeline—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Texas Toy Company—Report—Dept. C1122, McDonald Holman & Co., Inc., 70 Pine Street, New York 5, N. Y.

Union Carbide & Carbon Corporation—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of **Howe Sound Company,** and **Granite City Steel Co.**

Wells Gardner & Co. — Study — Bond Richman & Co., 160 Broadway, New York 38, N. Y.

Joins Quincy Cass

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Nicholas Coulas is now connected with Quincy Cass Associates, 523 West Sixth Street, members of the Los Angeles Stock Exchange.

Three With E. T. Cronin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Catherin L. Cronin, Russell W. Sly and Richard F. Swan have joined the staff of Edward T. Cronin Company, 548 South Spring Street.

COMING EVENTS

In Investment Field

Nov. 24, 1956 (New York City)
Security Traders Association of New York cocktail party, dinner and dance in the Grand Ballroom, Hotel Commodore.

Nov. 25-30, 1956 (Hollywood Beach, Fla.)
Investment Bankers Association of America annual convention at the Hollywood Beach Hotel.

Dec. 7, 1956 (New York City)
Security Traders Association of New York annual meeting and cocktail party at the Bankers Club.

Jan. 10, 1957 (Philadelphia, Pa.)
Philadelphia Securities Association annual meeting at the Barclay Hotel.

Jan. 14-16, 1957 (Chicago, Ill.)
American Bankers Association 9th National Credit Conference.

Jan. 18, 1957 (Baltimore, Md.)
Baltimore Security Traders Association 22nd Annual Mid-Winter Dinner at the Southern Hotel.

March 8, 1957 (Toronto, Canada)
Toronto Bond Traders' Association 25th anniversary dinner at the King Edward Hotel.

Mar. 18-20, 1957 (Chicago, Ill.)
American Bankers Association 11th National Instalment Credit Conference.

April 21-23, 1957 (Dallas, Tex.)
Texas Group of Investment Bankers Association annual meeting at the Statler Hilton Hotel.

Nov. 3-6, 1957 (Hot Springs, Va.)
National Security Traders Association Annual Convention at the Homestead.

Oct. 29-Nov. 3, 1958 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor.

Joins Hall & Hall

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Donald C. White is now with Hall & Hall, Bank of America Building. He was previously with Merrill Lynch, Pierce, Fenner & Beane.

With Dean Witter Co.

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—Everett W. Hogue is now connected with Dean Witter & Co., Patterson Building.

McCormick Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Richard F. Renfro has been added to the staff of McCormick and Company, Security Building.

With J. A. Hogle Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Hyman S. Slobodkin is now with J. A. Hogle & Co., 507 West Sixth Street.

La Montagne Adds

(Special to THE FINANCIAL CHRONICLE)

PALO ALTO, Calif.—Frederick M. Sammis is now connected with La Montagne & Co., 71 Stanford Shopping Center.

Joins Henry Hartman

(Special to THE FINANCIAL CHRONICLE)

SHERMAN OAKS, Calif.—Jack Hoffman has been added to the stafff of Henry Hartman, 13531 Ventura Boulevard.

Joins Shields Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Glenn E. Mayer has joined the staff of Shields & Co., 110 Sutter Street.

Market Impact Of Middle East Conflagration

By ROGER W. BABSON

In delving into probable effects of a Middle East flare-up, should it occur, upon neutral U. S. A., Mr. Babson anticipates higher profits, activity, and commodity prices; and advises most stocks should be held rather than sold, especially oils.

First, let me say that Russia's decision as to the Egyptian situation will be a great factor in the U. S. business outlook for 1957. If military action had never taken place, business in 1957 would be fair, —with a maximum average decline of not more than 5%. The stock market could, however, sell nearer 600.

Roger W. Babson

If Russia keeps out of the conflict, we can depend upon the above forecast. If, however, the Middle East should flare into a small war and if the United States remains neutral, 1957 could be the busiest and most profitable year we have ever had, with all basic commodities going higher.

What Has Happened to Date?

Israel has apparently already pulled out, regretting that she ever started the row. She now realizes that if it should develop into a real war, she could be wiped out. Certainly Israel is no longer a factor. The United Nations has agreed to police the Suez Canal, but not to police the world's greatest oil reserves nearby. This may "save face" for Britain and France; but the Canal is not much good to these countries if there is no oil to take through it.

Will Russia Remain Neutral?

Thus far Russia has refused to do so and is threatening to help Egypt and the Arab World by contributing to Egypt airplanes, munitions, and "volunteers," as she helped the North Koreans some years ago. This could result in the United States remaining neutral for the present at least. Mr. Eisenhower does not want another "Korean" war. If we can long remain neutral, I repeat that United States business in 1957 should be excellent and that most stocks should now be held rather than sold; especially hold the oils.

I cannot now foresee Russia and the United States joining forces even to bring about real world peace. Russia does not want stable world conditions unless she is the "top dog." To this President Eisenhower would never agree even though — as a General — he realizes the hopelessness of any nation winning another war; in fact, he believes all nations engaged therein would lose. Russia surely will not engage in war *directly*, for fear of losing the satellites.

On the other hand, I can understand why President Eisenhower would be willing to see England and France worry for a while. They refused to take the advice of our President and Mr. Dulles. These men both urged England and France to refrain from using force in Egypt. Furthermore, our President is disappointed in the way Western Europe has failed to co-operate in his plans for an economic and military union. He feels that a scare might do them good.

Don't Forget the Arabs

Remember that Mr. Eisenhower knows and likes the Arabs, having become acquainted with them during the course of World War II. He knows that their desert lands need only water to be the most productive in the world. He hopes to give them atomic power to irrigate and get this needed water. He knows, too, that the Arabs are fairly close to the Belgian Congo, which is the largest producer of uranium in the world.

In closing, let me say that one real goal of Russia and England and the United States is to keep open the Middle East oil fields and retain the good will of the Arab World. I forecast that France is now out of the picture and will lose all of North Africa. Neither Russia nor England can win except by force; but Mr. Eisenhower hopes to win by negotiating and by helping Egypt and her Arab friends, through economic aid, to become strong and to build her dam and secure atomic power. The Arabs should know by this time that Russian promises are no good.

Firm Name to be Baxter & Company

Effective Nov. 24, 1956, the firm name of Baxter, Williams & Co. will be changed to Baxter & Company, it has been announced. Members of the Midwest Stock Exchange, the firm maintains its headquarters in Cleveland and New York and branch offices in Philadelphia, Pa.; Chicago, Ill.; San Francisco, Cal.; Columbus, Ohio; Detroit, Mich.; Minneapolis, Minn.; and Hartford, Conn.

Two With B. C. Morton

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Hugh M. Haggart and John S. Robinson have become associated with B. C. Morton & Co., 1752 West Adams Boulevard. Mr. Haggart was previously with California Investors. Mr. Robinson was with King Merritt & Co., Inc. and McCormick and Company.

With F. I. Du Pont

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—John W. Wolf has become associated with Francis I. du Pont & Co., 455 East Las Olas Boulevard.

The Outlook for Aluminum

By I. W. WILSON*
President, Aluminum Company of America

Predicting 43% increased capacity in new and expanded aluminum production over 1956, rising imports, and recovery of secondary metal, Alcoa head sees manufacturers at last able to make plans to use aluminum with confidence that the supply will be adequate. Indicates this does not mean that the industry's growth has reached its peak, and contemplates 3 million ton consumption in 1960 and 5 million tons in 1975. Mr. Wilson looks forward to a period of increased merchandising effort and cites several entirely new fields for this versatile and favorably priced metal.

Our faith in the future of aluminum is as high as ever. There is not the slightest doubt that our nation will continue to grow, and that its economy will grow accordingly. There is every indication, and we fully believe, that the growth of the aluminum industry will continue at a much greater rate than the national economy.

I. W. Wilson

In the light of these comments, you will want to know what we consider to be the factors in the present market situation.

First, I should like to remind you of the historical pattern of the industry. Over the years, aluminum has established for itself an enviable reputation as a "growth industry." Domestic production of aluminum has increased **tenfold** since 1939, while total U. S. industrial production has multiplied only about two and one-half times. Per capita consumption has grown from nearly 3 pounds to roughly 24 pounds. For years, it has been practically impossible to keep the supply of aluminum abreast of demand. Markets hungry for aluminum have eagerly accepted all the metal that the industry could produce. Increased supply has been absorbed by increased consumption.

Great 1957 Demand Outlook

In a few periods—notably for a brief time in 1947, 1949 and 1954—supply was temporarily adequate to meet demand. At present, we seem to have reached another one of these points in the growth of the industry. Demand for the second and third quarters was not as great as it was during our first quarter, but some recovery is anticipated in the remaining months of the year. In 1957, we feel that the outlook is good, and that demand will be somewhat greater than in 1956.

Confident in the future, the industry during 1956 has continued to announce plans for expansion. Earlier in the year, I told you about Alcoa's $600-million program. As part of this program, we have already started building a new alumina plant at Point Comfort, Texas, a 150,000-ton smelter near Evansville, Indiana, and new mining facilities in the Dominican Republic. Construction of a 20,000-ton addition to the Point Comfort smelter has also been announced.

New and Old Names

Reynolds Metals Company, for its part, has announced the expansion of its Listerhill, Alabama, smelting plant, a project involving added capacity of 100,000 tons of primary metal annually. Reynolds is also enlarging the production of its La Quinta alumina plant near Corpus Christi, Texas, by 50%.

As for Kaiser Aluminum & Chemical Corporation, this company is constructing a new coal-powered smelter in the Ohio River Valley at Ravenswood, West Virginia. The Ravenswood plant, which will have an initial capacity of 125,000 tons of aluminum per year, is designed for possible expansion to 220,000 tons. The smelter at Chalmette, Louisiana, is also being enlarged by 27,500 tons per year, and a new 430,000-ton alumina plant is under construction at Gramercy, Louisiana.

Several new names are also entering the field. Harvey Aluminum Company—a subsidiary of Harvey Machine Company of Torrance, California—is constructing a 67,000-ton smelting plant at The Dalles, Oregon, and is expecting to begin production late next year. It is reported that Harvey's alumina will be furnished through a five-year contract with two Japanese producers. This contract, which is renewable, is reported to call for 105,000 tons per year.

Another new producer is Olin Revere Metals Corporation, a firm jointly owned by Olin Mathieson Chemical Corporation and Revere Copper & Brass, Inc. This company is building a coal-powered smelter at Clarington, Ohio, which will have a capacity of 180,000 tons per year. Alumina for this new smelter will come from a plant Olin Revere is building at Burnside, Louisiana, near New Orleans. Bauxite will come from the Surinam mines of the Billiton Company.

Expansion Plans and Imports

When all of these announced plans are completed, the total production capacity of U. S. producers will reach 2,526,500 tons, a 43% increase over 1956. This picture of expansion in the industry, however, does not fully explain the increasing availability of aluminum. As you know, it is also necessary to take into account both imports and secondary metal, a term that includes scrap of various types.

With regard to imports, there is every indication that an increase will take place. About 250,000 tons of primary aluminum are expected to be imported in 1956. By 1958, the total is expected to exceed 300,000 tons, an increase of more than 20% in two years. This trend will no doubt be encouraged by the fact that tariffs are progressively being reduced from 1.5 cents per pound prior to July, 1956, to 1.25 cents per pound by July 1, 1958.

With regard to secondary metal, the total available in 1956 is expected to be over 400,000 tons. But with production and use of aluminum increasing, scrap recovery is also expected to increase, resulting in an estimated 550,000 tons by 1958.

Totalling all of these sources, it is quite apparent that the supply of aluminum will increase sharply in the next few years. By 1958, including domestic production, imports and secondary recovery, the total supply of aluminum will be about 3,000,000 tons.

Assuring Adequate Supply

With this rapid increase in supply, it is likely that aluminum will be plentiful. Instead of being plagued with the problems of attempting to meet demand, as in the past, manufacturers should at last be able to design and use aluminum in new applications with confidence that the supply will be adequate. This new supply-demand relationship will give the industry the opportunity to enter new markets that many of us have been talking about for several years.

At this point, I should like to make perfectly clear that the prospect of a plentiful supply in the years ahead does not indicate in any way that the growth of the industry has reached its peak. According to our best estimates, aluminum consumption should exceed 3 million tons by 1960 at present rates, and is likely to go to at least 5 million tons by 1975.

Continued Expansion Expected

The simple economic facts are that the industry, in attempting to catch up with rapidly increasing demand, is at last succeeding, and is apparently going to be temporarily ahead in the race to make aluminum available for expanding markets. This situation, if it develops, will have little to do with anticipated growth in demand. It will be simply a natural consequence of prodigious efforts to satisfy the tremendous appetite of a rapidly growing national economy for aluminum products. As in the past, it cannot last long if predictions concerning our national growth continue to prove correct. Economic forecasts strongly support the continued expansion of markets for aluminum.

In keeping with these trends, you can look for a period of greatly increased merchandising effort on the part of the aluminum industry. Markets such as building products, transportation, consumer durable goods, and the electrical field have been principal consumers of aluminum for some time, but not in the volume that will be possible when an ample supply of metal is readily available.

You who know our industry well are certainly aware of our expectations in these established markets. In the building industry, for example, you have watched the rapidly increasing trend toward aluminum-clad buildings of the multi-story type; the growing use of aluminum in windows, doors and clapboard siding; and the mounting popularity of aluminum awnings and venetian blinds. In the transportation field, you have seen aluminum used in increasing quantities for superstructures of oceanliners; for the development of the new high-speed, lightweight trains; for truck-trailers and busses, and for the millions of passenger automobiles produced every year. You are familiar with the cost differential that gives aluminum such a marked advantage over copper in the electrical field; and you are well acquainted with the many unique characteristics of aluminum that make it so desirable in appliances, furniture, sporting goods, and other consumer durables.

Potential New Markets

The inroads made by aluminum in these markets are notable; but the potential lies far beyond what has already been achieved. One of our favorite examples is the automobile industry, where the average use of aluminum has tripled in the past five years and now stands at 35.2 pounds per car. As I stated when I spoke to many of you in May, studies indicate an average of 49.8 pounds by 1960. If present trends continue, this estimate will prove to be most conservative. A Kaiser official has estimated that use of aluminum for passenger cars will rise from 89,000 tons in 1955 to 384,000 tons in 1965. For the long run, an average of 300 pounds per car is not an unreasonable goal.

I am sure that security analysts, as experts, are familiar with the possibilities of established markets, so I shall not spend any more time in discussing them. But I would not fail to mention the many new fields that are opening up for aluminum, and that remain to be fully developed.

One relatively new field that has been growing rapidly is that of containers and packaging. By 1960, use of aluminum for these applications is expected to increase by more than 80%. And, as I stated in May, successful development of the aluminum can for applications where it is practical would open up a tremendous additional market.

We are also optimistic about the prospects for greatly increased use of aluminum in the residential building field; in telephone exchange cable; in highway signs, railings and lighting standards; and in such equipment as heat exchangers, condensers, instruments, tools and fasteners.

The opportunities presented by a plentiful supply are expected to interest many prospective users in aluminum. But the industry will not wait for this interest to develop spontaneously. You can look for it to be stimulated by spirited competition among aluminum producers and fabricators.

For Alcoa's part, the campaign for new markets is now being intensified. Planned promotional programs are carrying the advantages of aluminum into fields that have scarcely been touched heretofore. One typical effort in that connection is our promotion of aluminum-clad insulation materials for use in the residential building field. Keyed to the theme, "Comfort Everybody Can Afford," the campaign is backed by thorough scientific studies at the National Bureau of Standards and Pennsylvania State University. Results of these tests indicate that the average modern home, if properly insulated with aluminum-clad materials can be heated and air-conditioned throughout the year for a cost that averages $12 per month for the entire United States. When these advantages are known, we expect home owners and builders alike to feel, as we do, that they cannot afford to be without aluminum-clad insulation.

In addition, we are planning a major campaign aimed specifically at opening up new markets for aluminum. The details of this program have not yet been announced, but you may expect to hear a lot more about it in the near future. In ways like these, Alcoa is competing for expanding markets. And we are not alone. Our competitors recently have made a number of similar announcements, and it is doubtless safe to say that they have still more plans of their own.

In conclusion, however, I should like to point out that the mainstay of the industry since its inception has been research and development. These twin activities, coupled with an enthusiastic, pioneering sales group, have been largely responsible for the growth of the industry to date, and we are relying heavily on them for the future. With intensified effort, we are confident of success.

Versatility and Price Competitiveness

Aluminum's greatest characteristic is its amazing versatility. There is no doubt a limit to the ways in which its unique com-

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

bination of qualities can be applied to our comfort and convenience. But for the present, I am certain that this limit is not within sight.

Price, too, offers a convincing argument for aluminum. Ever since World War II, its price has been far more favorable than that of other major non-ferrous metals . . . frequently on an actual weight basis, and always by volume. It is highly important to the manufacturer that, in buying metal, he can expect a much larger piece of aluminum for his dollar. This is simply one additional reason why we believe that the trend toward aluminum will continue.

Vt.-N. H. Banking School Date Set

HANOVER, N. H. — The 1957 Vermont-New Hampshire School of Banking will be held from Monday, Sept. 9, 1957 through Thursday, Sept. 12, 1957. The School now in its fourth year as successor to the former Vermont School of Banking is sponsored jointly by The Vermont Bankers Association and The New Hampshire Bankers Association.

The School which is rotated between the University of New Hampshire, University of Vermont, and the Amos Tuck School of Business Administration, Dartmouth College, the cooperating Universities, will be held this year at the Amos Tuck School, Hanover, N. H.

Those in charge will be:

Chairman and Registrar—Glenn W. Merrill, Vice-President and Cashier, Dartmouth National Bank, Hanover, N. H.

Director—Dean Arthur R. Upgren of the Amos Tuck School.

Association Director—Professor Harold E. Angelo, Professor of Banking, Amos Tuck School.

A program committee consisting of representatives of the two State Associations and representatives of the three cooperating Universities have charge of constructing the curriculum for the 1957 School.

B. C. Morton Opens Branch in Tokyo

B. C. Morton & Company of Boston, national mutual funds specialists and insured savings consultants, has opened a new office in Tokyo, Japan, Morton W. Goldberg has announced.

This newest office of the Hub firm which has representatives from coast to coast and in Europe and Hawaii will be headed by Leo C. Bennello.

Form Great Western Secs.

BEVERLY HILLS, Calif. — Great Western Securities has been formed with offices at 9685 Santa Monica Boulevard to engage in a securities business. Officers are Stanley McLay, president and director; Claude E. Schreiner, vice-president; Michael A. Grande, treasurer; and Anthony S. Lazzarino, secretary. Mr. Lazzarino was formerly with Shelley, Roberts & Co. and Sterling Securities Co.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

CHINA LAKE, Calif.—Roland A. Hotin has become associated with Dempsey-Tegeler & Co. Mr. Hotin was formerly local representative for Mutual Fund Associates.

Powell Johnson Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Cameron H. Duncan has been added to the staff of Powell, Johnson & Powell, Inc., Security Building. He was formerly with Columbia Securities Company.

The Stock Market in 1957

By WALTER MAYNARD*

Partner, Shearson, Hammill & Company, New York City

Mr. Maynard concludes stock prices are more apt to decline moderately than to advance in next six months, and that stocks will anticipate rising business in second half of next year. Discusses the effect of a number of variables upon stock market before rendering judgment about long term buying opportunities.

In trying to appraise what 1957 holds for the stock market, we must take into account a considerable number of variables, and I am going first to discuss a number of these variables and then suggest a reasoned conclusion based upon them.

Walter Maynard

The elements which tend to shape the course of market prices over a period of time include the international outlook, or prospects of war and peace, the profitability of business, the dividend paying capabilities of leading corporations, the general level of money rates, supply and demand for stocks, the political atmosphere and its corollary of the outlook for tax relief; and finally, the psychological environment, or the morale of investors.

International and Business Profits Outlook

Turning first to the international outlook, all we can say at this juncture is that it is becoming progressively more uncertain. War between the major powers still seems almost unthinkable, but nevertheless the general course of events does not suggest that events abroad will provide much stimulus to the stock market in this country in the coming year. We must accordingly appraise this particular influence as flat at best.

With respect to the profitability of business, a logical guess would be that profits might diminish slightly rather than expand. A reason for reaching this conclusion is that capital goods activity, an important sector of the total, because of various limitations cannot increase much further, and, in fact, as a result of the tight credit policies being pursued by the monetary authorities, seems likely to diminish. A lessened rate of business activity means intensified competition in many areas, and, therefore, some diminution of profits. The heavy capital expansion programs of business in the past year have made inroads into corporate working capital, and under present conditions corporations seem likely to resort to the capital markets to the minimum extent possible for the purpose of bolstering current positions. Therefore, the market is unlikely to benefit from a big upward surge in the rate of dividend distributions of the dimensions that have been so helpful to prices in the past two years.

There seems no basis at the present time for anticipating any great easing in the general atmosphere of credit tightness. On the other hand, for the longer term, the continuing growth in our population suggests a rising demand for capital. Thus, this particular group of forces also seems unlikely to produce much in the way of positive stimulus for the stock market.

*Summary of an address, prepared by Mr. Maynard, made before the 371st National Industrial Conference Board Meeting on the Financial Outlook, St. Louis, Nov. 5, 1956.

Stock Demand and Election Effect

With respect to factors of supply and demand, the stock market in recent years has benefited strongly from the creation of new classes of stock buyers; not only have more individuals than ever before bought stocks, but pension funds, savings banks and life insurance companies have been added to the list of those who buy equities. No further important additions to the ranks of equity buyers are in sight for the coming year, and, on the contrary, rising bond yields now provide an attractive alternative to stock investment. Here too, therefore, the market will fail to find price-boosting stimuli.

The outcome of the Election assures a continuance of the favorable political environment of recent years. However, Democratic control of the House suggests that constructive tax relief of the kind that the business community has been longing for, and which would be helpful in increasing the supply of capital, namely, a reduction in punitive rates of personal income tax, is unlikely to be promptly forthcoming. Thus, the market probably cannot expect a stimulus from this source.

The morale of investors is relatively high, as attested by the fact that yields on stocks now bear about the same relation to yields on bonds as a year ago. Therefore, here too we cannot look for a favorable change.

The foregoing factors might be summarized in a negative sense by saying that they do not add up to a strong case for higher prices. We might then ask ourselves what are the prospects of a substantial decline? Here, too, it is difficult to adduce a convincing bearish argument. Speculation in recent months has been at a low ebb, the general level of prices has not advanced for over a year, and it is difficult to discern from what direction really menacing liquidation might come.

Boost in Yields

Since corporate dividends seem likely to be well sustained even in the face of stability or mild decline in the indices of production, a moderate decline in stock prices would result in a generous boost in yields, which should attract new buyers. We should, of course, take into account one seasonal factor that has an effect on the stock market. This factor arises from the circumstance that upper bracket individuals feel the heaviest weight of taxes in the first half of the calendar year, and, therefore, their buying power tends to be at its lowest point between Jan. 15 and June 15. This suggests, in turn, that if declining tendencies are to prevail next year, their impact on the price level might well produce the year's lowest prices at some time between early March and June.

Summarizing all of these considerations, I think we can conclude that stock market prices are more apt to decline somewhat between now and mid-year than they are to advance, but that this decline will be kept within relatively narrow limits, let us say 10% or so. The decline, if it is to come, will be gradual and will be highly selective—and many stocks will be able to run counter to the trend as displayed by the Averages.

For example, it seems reasonable to expect that the automobile companies will be more active in 1957 than they have been this year, that high rates of interest will boost the earnings of banks and life insurance companies, that the business of utility companies will continue to expand and that the distribution of consumers goods will remain at high levels, with consequent good earnings for merchandisers. The American appetite for oil also seems virtually sure to continue to increase. Finally, we seem unlikely in the present troubled state of the world to neglect to bring our armament equipment up to date, both in terms of conventional weapons and super-weapons.

Long-Term Buying Opportunities

Looking ahead to the second half of next year, the readjustments which tight monetary policies are designed to bring about should by that time have been completed, and the general trend of business should once again be rising, reflecting a continuation of the economic development of both this country and the rest of the world. The stock market will undoubtedly, as usual, anticipate this development, which is an added reason for expecting that the year's low point in stock prices will be reached before mid-year. Supporting this view is the fact that professional investors now play a larger part than ever before in shaping the course of the market prices, and they, of course, are well aware of these trends.

In conclusion, therefore, a capsule summary of what I have to say is: "Be prepared for somewhat lower prices in the next six months, but be equally prepared to take advantage of the long-term buying opportunities which these lower prices will provide."

New Director of Nat'l Secs. Research

Henry J. Simonson Jr., chairman of National Securities & Research Corporation, has announced that John J. McLaughlin has been elected a member of its board of directors. National Securities & Research Corp. is the underwriter and investment manager of the National Securities Series of mutual investment funds with assets of about $300,000,000.

John J. McLaughlin

Mr. McLaughlin has, for many years, been a partner of Burton, Dana & Co., 120 Broadway, New York City, members of the New York Stock Exchange, with branches in Philadelphia and Washington, D. C.

Joins Leo G. MacLaughlin

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Rodolphe E. A. Rear is now with Leo G. MacLaughlin Securities Company, 54 South Los Robles Avenue.

The Current Economic Situation And Middle East Crisis

By DWIGHT W. MICHENER*
Economist, The Chase Manhattan Bank

Chase Manhattan Economist traces Middle East situation upon our economy in terms of basic commodities, military goods and speculative buying, and compares economy's state today with what it was in 1950-51. Mr. Michener describes the details which add up our present boom, which may make 1957 our year of greatest activity, and the effect upon the banking system. Expects bank loan expansion will be retarded by reserve position and by decline in short-term government security holdings, and recommends courageous restraint by business, labor and banking.

The American economy has now rounded out a full decade of strong productive activity since the end of the Second World War. It is now making goods and services available at a rate never achieved before. A review of the different types of production reveals that there are no really weak areas in the economy at the present time. Those which might be classified as "very good" include industrial production, mineral production, petroleum output, electric power and transportation. In many areas records are now higher than ever before. In this group are personal incomes, earnings of labor, consumer expenditures, building, export trade and loans by commercial banks.

D. W. Michener

Why Heavy Capital Outlays?

There is one area in which expansion has been phenomenal. This is the construction of plant and equipment, where extraordinary records are now being made. Current outlays for plant and equipment are more than six times those of 1939.

The question might be asked, why the rush to build plants and equipment at the present time? There are three chief reasons. In the first place, technological developments in recent years have been a great stimulus to plant expansion. Industrial research, to the extent of $5 or $6 billion annually, is introducing new products, new materials and new methods. In taking advantage of these new developments, it is often much more profitable to build and equip a new plant rather than to use present facilities.

In the second place, increased labor costs have been a spur to the construction of new plant and equipment. As the costs of labor have risen, and as labor has become increasingly scarce, the advantages of labor-saving equipment have become obvious.

In the third place, building costs have been moving steadily upward, and there have been, therefore, advantages in completing the construction as promptly as possible.

Along with the expansion of plant and equipment is another area in which activity, at the moment, may also be described in superlatives. This is consumer buying. The consumers' dollar outlay this year will be well above any earlier records. Sales in all retail establishments will probably be in the neighborhood of $193 billion, or some 4% over the 1955 record, and merchants are expecting the coming holiday trade to be well in excess of last year's very high records.

*Summary of an address by Mr. Michener before the Tenth Annual Conference of Bank Correspondents, St. Louis, Nov. 8, 1956.

In maintaining their high level of buying, the consumers continue to use increasing amounts of credit. The total of such credit, as now estimated by the Board of Governors, is above $40 billion. The size of the present figure, together with its steady expansion, is causing it to attract more public attention. Consumer credit now has an increasing number of critics, along with those who shower it with praise. In the current discussion pro and con, it will be well to keep in mind the fact that consumer credit, in the volume now used in this country, is new to this or any other economy, and that the criteria for good usage may not all have been established.

Boom, Banking and Money Market

All of the details I have described thus far add up to what is commonly called the present boom. In this prosperous period, we are using about all of the labor, material and funds that are available. The figure for unemployed labor has fallen below the 2-million mark, and the current total is probably close to the minimum which can be expected. Various materials, including steel, aluminum, cement, mica, nickel and others, are being produced at a rate only approximately high enough to cover current demands. And, further, available funds for the expansion of capital goods, that is, savings, are now short of present demands.

Thus, the economy is operating full tilt, with plants busy, labor supplies absorbed, material supplies utilized, full employment for all available savings and opportunity for using additional savings, were they available.

For those of us in the banking business, the important point is that our customers, unable to get funds elsewhere, have been coming to commercial banks for additional credit. During the past 18 months, bank loans have risen faster than in any similar period in our banking history.

In view of the above conditions, Reserve authorities have put pressure on member bank reserves by design in order to keep the expansion of credit from proceeding too far. So it is that, with demand for money much higher than it has been before, with savings inadequate to meet full demand and with credit expansion limited by the design of our credit authorities, money is "tight." Interest rates have advanced to the highest level in more than two decades. Rate increases have been general, and advances in the rediscount rate have been frequent. It is clear that, from now on, bank loan expansion will be retarded, not only by the reserve position, but by the decline in holdings of short-term Government securities—which reduces this type of bank liquidity—and also by the decline in the ratio of capital funds to risk assets.

Asks Reserves Be Supported

The banking fraternity in the country is generally convinced that credit authorities are doing a commendable job in putting on the brakes. The major Resolution passed at the recent American Bankers Association Convention in Los Angeles made this point very clear.

At the same time, we must recognize that making money tight, even when all agree that it is absolutely necessary, is not an easy task. Our monetary authorities do not become popular by making it more difficult to finance a car, a home, a larger inventory, or a Federal deficit. Nonetheless, such action is part of the job which needs doing, namely, preventing excessive expansion and encouraging savings.

Despite these facts, we are going to hear cries for "easier money" before the year-end, and probably all of us will have ample opportunity to display good judgment and good citizenship as the issue arises in our own banks and in our own communities.

Banking is, of course, not the only field in which courageous restraint needs to be practiced today. Business management, labor and, indeed, the whole economy need to exercise restraint in the coming months if desired stability is to be maintained.

Some of the forces influencing business go much beyond those which can be analyzed by statistical methods. An important consideration of this kind is now the crisis in the Middle East.

Middle East Repercussions

It is as yet too early to determine how intense and how broad this warfare will be, but it is reasonably clear that extended warfare in the Middle East, even though localized, will not be without influence on American business. The first area of our economy to be importantly influenced by such a development may be the market for basic commodities —metals, oil, sugar, etc.—as ocean transportation becomes more of a problem and demand is stimulated. Prices in these markets have already registered some of this influence. A second area would be that of military goods, as warfare in any part of the world causes more attention to be given to the filling of possible military needs. These requirements, along with others, might cause further emphasis to be given to capital goods expenditures. A third area is that of speculative buying which might develop among domestic consumers and merchants should there be some likelihood of shortages and rapidly moving price increases.

Comparison With 1950-51

Experience encountered in the above three areas at the time of the outbreak of the Korean War are only in minor degree suggestive of possible developments in domestic business should the present situation in the Middle East deteriorate into a period of extended warfare. The first and most important difference is that the United States is not a participant, and the influence of the war on this economy will thus be only a fraction of what it was in 1950 and 1951. In the second place, the Korean War came at a time when there was more slack in the economy than there is today. This suggests that such influence as the war in the Middle East has on our economy might possibly work faster than it did in 1950 and 1951. In the third place, the raw materials situation in this country is aided by present stockpiles accumulated over the past several years. Also, should the foreign situation deteriorate further, it is likely that government regulations and controls, under the Defense Production Act and the Defense Materials Act, could be promptly utilized to prevent many of the unfortunate developments of the early Korean War period. On balance, the present war in the Middle East brings with it the probability of further demand for goods in the American market, and in this respect, it may be a further stimulant to American business.

From the point of view of the domestic situation alone, it appears now that the last quarter of 1956 will be the best quarter of the year, with the construction of plant and equipment and liberal consumer buying continuing their leading roles. The accumulative strength is likely to carry over into 1957, where a strong first half now seems likely. In fact, the year 1957 may rank high among our years of greatest activity.

From Washington Ahead of the News

By CARLISLE BARGERON

At the end of World War I, the late Col. Robert R. McCormick, of the Chicago "Tribune" had a problem. It was in the form of Floyd Gibbons, a heroic war correspondent. As a young member of the National Guard I had met Floyd on the Mexican border in 1916 when he was coming out of Mexico with Pershing's army.

Carlisle Bargeron

I was, in fact, with him in an El Paso beer saloon the night he got orders from Col. McCormick to go to Europe, World War I having broken out. Destined to be a hero, his ship was torpedoed but he was saved and wrote a brilliant scoop for the "Tribune." Then later he went into battle with the Marines at the Marne and lost an eye. From then on to the rest of his life he was known for the familiar patch on his eye.

But comes the end of the war and the Colonel had an awful time placing such a restless man as Floyd had turned out to be. Well, even then the French were fighting the Algerians, and so the Colonel sent Floyd in to cover that. But it was comparatively dull considering what Floyd had been through. So the Colonel turned Floyd loose on a book about the menace of the Chinese and the Japs, something the Colonel and William Randolph Hearst were very much interested in and professedly worried about in those days.

Floyd's book, the "Red Napoleon" was duly published and had a wide distribution, by virtue of the Colonel's and Mr. Hearst's backing. It was a horrendous book. The Mongolians, determined to conquer us, got all the way to this country, passed the Rockies and marched into Washington. In Washington they were stopped by virtue of a girl named Anne.

Floyd was a native of Washington and Anne was his girl who always waited for him while he made his excursions around the world. In Floyd's book it was through her heroism and intelligence that the Mongolians were stopped right here—practically right down where a woman named Mrs. Angley ran the Water Gate restaurant.

My purpose now in telling you all this, when you look back and see how ridiculous it all was, is to compare it with the propaganda we get about Russia. Russia and China are adjacent. It is the humble opinion of this writer, having been in Russia, and having read about the Russians for a long time, that there is not one degree more difference in civilization between the Russians and the Chinese.

If you were told tomorrow that the Red Chinese had become great industrialists and a military threat, the possessors of the atomic bomb, you would not be in the slightest alarmed. Our government has no hesitancy, in fact, in keeping the Red Chinese out of the United Nations.

But Soviet Russia is right next door to the Chinese, and to a large extent the same sort of people! Somehow or other they have become the second greatest industrial and military might in the world. It just isn't true!

One of my prized possessions is a description by an accompanying Associated Press correspondent of the march by the Russians into Poland after the Germans had destroyed that country in 1939, taken half of it and invited the Russians to take the other half of it. They had an awful time stumbling over their own broken down equipment. Indeed, I have just read of the experience which the musical comedy, Porgy and Bess, had in Russia.

Nevertheless, our whole foreign policy, particularly our policy in the present Middle Eastern dispute, is based upon what the Russians might do. Aside from that, we have spent billions building and detonating atomic and hydrogen bombs based upon the alleged military might of Russia.

Neither Britain, France nor any of the Western powers has worried about these bombs. Neither have they worried about the military might of Russia. We are, on the contrary, worried that if we don't do things just right in Egypt, it will offend the Russians.

On my one and only trip to this great Russian land of experiment, at a time when the Russian Government was our colleague, our ally under Roosevelt, in pursuing better things for the underdog, I was impressed tremendously by this one thing:

At the time we were in the depths of a depression, but we were still building houses here and there. In Russia at the time, the erection of a two-story building was an international event of accomplishment. There is a crowd in Moscow, with training in New York, who are masters at propaganda and bluff. There are men in our government who feel this same way and who would like to call the Russians' bluff once and for all. But it would be quite inconvenient and maybe, considering the impact on our economy if we were to have a real peace, it might be better to go along with the Cold War.

Outlook for Telephone Utilities

By J. J. SCANLON*

Treasurer, American Telephone & Telegraph Company

That the telephone industry will continue to maintain a prominent place among corporate security sellers for some time to come is based, by Mr. Scanlon, upon factors still influencing tremendous postwar telephone expansion, and the expectation that, compared to the present 74% figure, 80% of households in 1960 will have telephones and 85% in 1965. Author details to what great extent the telephone companies rely upon external financing, the impact of inflation upon earnings, and points out new construction in 1956 was $2.2 billion and will be at least as much in 1957. Summarizes such new developments as Bell Solar Battery, integrated data processing, electronic switching, and complete customer dialing of calls within the United States and Canada.

In discussing the outlook for the telephone industry, I should like to consider briefly the present status of the industry and recent developments and, while disclaiming any powers of prophecy, attempt to examine some of the factors which are likely to have a significant influence on the telephone business in the future. While my illustrations will be drawn in large part from Bell System experience, with which I am naturally most familiar, I think the conclusions may fairly be applied to the industry as a whole.

John J. Scanlon

The 58 million telephones in the United States are operated by some 4,600 companies. Of this number, the 23 Bell System associated companies account for 49½ million telephones, or about 85% of the total. The remaining 8½ million telephones pertain to the independent sector of the industry, numbering nearly 4,600 companies. Nearly half of these telephones are owned by five companies, the largest of which is General Telephone Corp., which operates more than 2½ million telephones.

Record Postwar Growth

We are looking at the telephone industry today at one point in what appears to be a prolonged period of tremendous expansion. This has been going on continuously since 1946 and is expected to continue undiminished for a considerable period in the future. The number of telephones in service in this country at the end of 1945 was 28 million—less than half the number in operation today. The daily volume of telephone conversations has doubled since 1945.

This expansion has taken place in response to a record-breaking demand for telephone service. The Bell System, as an example, entered the postwar period with a backlog of 2 million orders for telephone service, overloaded plant and service quality below the desired standards. In addition to the "catching-up" effort these conditions have required, the demand for telephone service has grown at a rate faster than the expansion of the economy as a whole. The number of households in the country has increased from 38 million to 48 million, while the proportion with telephone service has increased from 47% to 74%.

To provide for the increases in telephones and the additional facilities and circuits to handle the growing volume of long-distance calls, the industry has been engaged in a construction program which has increased its gross plant investment from $6½ billion in 1945 to $18½ billion at June 30, 1956. The industry's expenditures for new construction since the war will total well in excess of $15 billion by the end of this year. It might be observed, in this connection, that the rate of growth for the telephone industry has been about twice that for the economy as a whole, and has been nearly twice as large as that of the electric utilities.

Financing Construction a Major Problem

Financing this construction program has been a major problem for the industry, for the telephone industry, unlike manufacturing industry in general, must rely heavily on external financing to raise the funds needed for expansion. This point is seen on looking at the source of funds for financing the Bell System postwar construction expenditures, which will total some $14¼ billion by the end of this year. Of this total, $9½ billion, or two-thirds, will have been raised through external sources of funds—sale of debt securities and equity capital. Depreciation accruals, reinvested earnings and other internal sources of funds have provided only one-third the amount needed. For industry as a whole, approximately three-quarters of the funds required in the postwar period has come from internal sources.

The magnitude of this financing program may also be seen by comparison with total corporate external financing in the period 1946-1955, based on data published by the U. S. Department of Commerce. The telephone industry raised about 12% of the total capital—both debt and equity combined—obtained through external financing by domestic nonfinancial corporations in this period. As to equity capital alone, the telephone industry has probably accounted for more than a quarter of all equity capital raised publicly by U. S. corporations in the postwar period.

Postwar Earnings Trends

During the whole of the period since World War II, the fundamental factor of earnings rates has been a major concern of the industry. Earnings of the telephone companies during and after the war were at low levels, as a result of increased costs. It has been necessary to apply to regulatory authorities throughout the country for rate increases, and the continuing inflationary pressures during most of the postwar period made this an almost continuous process.

During the early postwar years the Bell System earned 5.1% on average invested capital. Earnings have improved since that time, reaching 6¾% in 1955 and are currently at about that level.

The recent improvement in earnings has been shared by most areas of the telephone industry. This improvement in the face of continuing increases in costs is not solely attributable to rate increases, however. In fact, telephone rates have risen only about 33% on average since 1940, while costs have risen far more rapidly—as everyone present well knows. The earnings improvement in the face of greater costs is a significant measure of the contribution made by improved methods, improved plant utilization, and technological advances. The earnings problem is ever-present, however, particularly now that the threat of rising costs has again appeared.

Even the moderate earnings improvement in recent years has had most salutary effects. Much still needs to be accomplished, however, and rates which are only modestly higher than the present level would add tremendously to the financial health of the industry and give assurance of its ability to meet future demands and to furnish constantly improved telephone service.

Outlook for Telephone Business

As noted earlier, the telephone industry is now in a period of strong and sustained growth, which may well continue for some years at about the present rates.

Of fundamental significance for the industry's future is the expected continued growth in population and in the number of new households. The population grew by 25 million between 1945 and 1955, and we may well add 27 million more by 1965. The rate of increase in the number of households, while less than the boom level experienced in the years following World War II, is nonetheless likely to exceed the rate of population increase. Among the reasons is the rising standard of living, which makes it financially possible for young people to establish homes at earlier ages. Another is the growing number of pension plans, which makes it possible for older people to retain separate households longer.

Penetration of the potential market is expected to continue. By 1960 some 80% of households will be equipped with telephones, and by 1965 this proportion may be as high as 85%, compared with the present 74% level. This trend will be reinforced by growing demand for additional telephones and other forms of telephone service on the part of present users.

Continued high level of employment with growing real income per capita and the accompanying rise in living standards should have their influence in stimulating demand for more telephones, for greater use of telephone service, and for more of the newly developed forms of service. We look for a growth in the Gross National Product from the 1956 level of $411 billion to about $550 billion in 1965, without allowing for possible changes in the price level. The telephone industry expects to obtain its full share of the benefits from this growth in the nation's economy.

On the other hand, several factors which have influenced earlier postwar telephone growth are not expected to maintain their previous relative importance. One is the shift in the distribution of income which took place during the war and postwar years, tending to accentuate the rise for lower income groups. A further redistribution of income does not appear likely in the degree previously experienced. However, the middle income groups will continue to increase relative to the total. Growth after 1940 proceeded from a level of partial under-employment of labor and resources, and this tended to accentuate the growth in demand. Similarly, war restrictions limited the expansion of telephone service for private uses and concentrated a good deal of deferred demand in a short interval following the war. Lastly, increases in prices and wages have resulted in a greater rise in personal income than in the cost of telephone service. It is to be hoped that we won't have another doubling of the price level through inflation.

An increase of about 3.3 million telephones is expected by the Bell System during the current year, and about 3.5 million in 1957. This compares with an average annual increase of 2.4 million during the previous ten years. However, extension telephones comprise about half the expected increase in 1956, and somewhat more in 1957, as compared with a proportion of about one-third in the 1946-55 period. Assuming a similar proportion of Bell System telephone additions to the industry's total, as in the recent past, the increase for the industry should be something over 4 million in 1957.

Long distance messages have been increasing rapidly and we expect a further gain in 1957, although at a rate somewhat lower than in recent years. An increase of about 6% is probable in 1957.

New Money Requirement to Continue Large

The Bell System will expend some $2.2 billion for new construction in 1956, involving new financing of $1.3 billion (more than $100 million per month). Present plans for 1957 anticipate at least as much.

From the foregoing, I think it is clear that the telephone companies will continue to maintain a prominent place among the sellers of corporate securities for some time to come.

New Developments

The aim of the telephone industry is always to do the job more satisfactorily, more efficiently, and more economically—both through present processes and through new tools for rendering service. While telephone people everywhere are, I am sure, imbued with this spirit, the major gains in this direction necessarily stem from the work of the research laboratories and of the people working in the development aspects of the telephone business. You may be interested in a brief outline of some of the broad avenues of development now under way, and which are likely to have a significant impact on the industry in the not too distant future.

Direct Distance Dialing

The ultimate objective in a long established program of service improvement is complete customer dialing of calls. The first step—mechanization of local service—will be 90% completed by the end of 1956. Virtually complete local mechanization should be accomplished within the next several years.

The next step has been to mech-

Continued on page 30

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

1957 Outlook for Petroleum

By E. T. KNIGHT*
The Atlantic Refining Co., Philadelphia

Forecasting a 4.0% increased demand for petroleum and products in 1957 as against 1956, Mr. Knight indicates, however, that crude oil production might increase 2.6% over 1956. Looking ahead five years, writer expects combined total demand to increase 18.3% over 1957—at an annual average rate of 3.0%. Assumes extension of Suez crisis into early 1957 will not witness any marked change in world movement pattern of crude and petroleum products

Forecasters, like hunters, become most active at this season of the year. As the hunter tries to capture the prize game, the forecaster strives to provide better forecasts for his company and the industry. Like the hunter, who continually tries new equipment and techniques, the forecaster finds it necessary to modify his current methods of forecasting and to develop new ones. No matter what method of forecasting is employed, the basic starting point is the outlook for general business. This is true, although many factors that effect the general economy will not have parallel effects on petroleum industry demand.

E. T. Knignt

In this forecast, we have used the current consensus of opinion that there will be no spectacular change in general business in 1957 and that it will compare reasonably well with 1956. It is the expectation of our own department that the Federal Reserve Board Index will average slightly higher in 1957 than in 1956.

Considering current predictions on the future of the general economy and the trends in demand for petroleum products recorded in recent periods, it is our expectation that total requirements for petroleum and products in 1957 will approximate 9,598,000 barrels daily. That level of demand would be 371,000 barrels daily, or 4.0%, more than the 1956 demand. (Seven months actual and five months estimated.)

It is forecast that the domestic demand in 1957 will average 9,265,000 barrels a day, an increase over 1956 of 366,000 barrels a day, or 4.1%.

Exports of crude and products are expected to average 333,000 barrels a day in 1957, approximately the same as in 1956. This latter forecast could be significantly changed by developments in the Suez Canal dispute.

Domestic Demands

As was shown in Table I, the domestic demand for gasoline is expected to average 3,967,000 barrels daily in 1957. That level of consumption would be 163,000 barrels a day, or 4.3% greater than the 1956 consumption.

The expected gasoline consumption by categories of consumers is shown in Table II.

The indicated trend in consumption of gasoline by trucks and buses results from our expectation that during 1957 the average number of these units in operation will increase 3.0% while trucks and buses consuming other motor fuels will increase approximately 10%.

Kerosene

In forecasting a level of demand for kerosene of 325,000 barrels daily, which would be 1.7% below the 1956 consumption, it was considered that the weather next year would be normal and the heating portion of this category of demand would be somewhat lower than in 1956 since colder than normal weather was experienced during the last 12 months.

Distillate Fuels

The forecasted demand for distillate fuels by categories is shown in Table III.

Diesel Fuels

It is indicated that we expect the demand for diesel fuels in 1957 to average 513,000 barrels daily, an increase over 1956 of 22,000 B/D, or 4.5%.

The higher than average increase in consumption of diesel fuels by trucks and buses results from the previously predicted increase in average number in use of 10%.

Heating Oils, etc.

The forecast of a modest increase in the use of distillate heating oils reflects the fact that the colder than normal weather during 1956 resulted in average heating oil requirements per unit somewhat higher than can be expected in 1957. However, it is our expectation that the average number of units in operation during the coming year will be 5% greater than in 1956 and consumption of distillate fuels will be 3.1% greater than in 1956.

Residual Fuel

The domestic requirements for residual fuel are expected to average 1,575,000 barrels a day during 1957, an increase of 1.3%. Although industrial production may increase two or three per cent over 1956, competition may result in some consumers switching to the use of competing fuels. Heating requirements are not expected to be any higher in 1957; they may even be somewhat less, assuming normal weather.

Liquefied Petroleum Gas

The demand for liquefied petroleum gas is expected to increase about 8.7% to a daily average of 482,000 barrels in 1957. In projecting the level of demand for 1957, it was considered that the requirements of the chemical industry and the direct use of this product as motor fuel would be relatively greater than other segments of consumption which are expected to increase about 7.0%.

All Other Products

The total domestic demand for all other products is forecasted to be 1,113,000 barrels daily for 1957, an increase of 81,000 barrels a day, or 8.8%, over 1956.

The forecast of a modest increase in demand for lubricants reflects our thinking that the ratio of motor oil consumption to gasoline consumption will continue to decrease and that industry will continue to make further advances in the efficient use of industrial oils.

The forecast for jet fuels is based upon our appraisal of the significance of government requests for bids on these products.

The impetus of the Federal highway program is expected to result in a demand for asphalt 11.7% above the indicated 1956 domestic consumption.

For those who are interested in the seasonal requirements of the foregoing over-all forecast, Table V has been prepared. From these data it is indicated that demand in the last six months of 1957 will be approximately 5% greater than estimated for the closing six months of 1956. The relatively lower seasonal trend in increased requirements during the first six months of 1957 results in part from the fact that demand for specific products was relatively higher in the first six months of 1956 as a result of unusually cold weather

Controversial Problems and the Outlook

So much for expected demand. To complete this forecast and provide a look ahead on the expected supplies of petroleum and products, the answer to a number

*An address by Mr. Knight before the 36th Annual Meeting of the American Petroleum Institute, Chicago, Nov. 14, 1956.

TABLE I
Demand for Petroleum Products

	1956 Quantity 1,000 B/D	1956 % Increase Over 1955	1957 Quantity 1,000 B/D	1957 % Increase Over 1956
Domestic Demand—				
Motor Fuel	3,804	5.0	3,967	4.3
Kerosene	331	3.3	325	—1.7
Distillate Fuels	1,734	8.9	1,803	3.9
Residual Fuels	1,555	1.8	1,575	1.3
Liquefied Petroleum Gas	443	13.3	482	8.7
Other	1,032	7.0	1,113	8.8
Total Domestic	8,899	5.8	9,265	4.1
Exports—				
Crude Oil	29	—9.2	30	3.5
Products	299	—10.8	303	0.8
Total Exports	328	—10.0	333	1.3
Total Demand	9,227	5.1	9,598	4.0

TABLE II
Domestic Demand for Gasoline
1957

Class of Consumer—	Quantity 1,000 B/D	Increase Over 1956 Quantity 1,000 B/D	Increase Over 1956 %
Passenger Cars	2,443	113	4.8
Trucks	779	23	3.0
Buses	31	---	---
Total Automotive	3,253	136	4.4
Aviation	212	11	5.4
Industrial Naphtha	69	2	3.0
Other (Inc. Gov't M. F.)	433	14	3.3
Total	3,967	163	4.3

TABLE III
Domestic Demand for Distillate Fuels
1957

	Quantity 1,000 B/D	Increase Over 1956 Quantity 1,000 B/D	Increase Over 1956 %
Diesel Fuels—			
Railroads	238	7	3.0
Trucks and Buses	80	7	8.8
Miscellaneous	195	8	4.1
Total Diesel	513	22	4.5
Other Distillates—			
Heating Oils	1,075	33	3.1
Miscellaneous	215	14	7.0
Total Other	1,290	47	3.8
Total Distillates	1,803	69	3.9

TABLE IV
Domestic Demand for All Other Products by Categories

	1956 Quantity 1,000 B/D	1956 % Increase Over 1955	1957 Quantity 1,000 B/D	1957 % Increase Over 1956
Lubricants	121	3.8	122	0.8
Wax	12	4.0	12	---
Jet Fuel	186	20.8	218	17.0
Asphalt	242	4.5	271	11.7
Road Oil	24	6.1	26	8.0
Still Gas, Misc. & Losses	447	4.4	464	3.8
	1,032	7.0	1,113	8.8

TABLE V
Demand for Petroleum Products
1957 Quarterly Forecast
(000's Barrels Daily)

Domestic Demand—	First Quarter Quantity	First Quarter % Incr. Over '56	Second Quarter Quantity	Second Quarter % Incr. Over '56	Third Quarter Quantity	Third Quarter % Incr. Over '56	Fourth Quarter Quantity	Fourth Quarter % Incr. Over '56
Motor Fuel	3,564	4.0	4,166	4.0	4,181	4.5	3,950	4.5
Kerosene	466	—2.3	185	—3.6	200	..	450	—0.7
Distillate Fuels	2,510	4.5	1,290	—0.8	1,210	4.3	2,210	6.4
Residual Fuels	1,835	0.2	1,425	—0.1	1,340	4.3	1,705	1.5
Liquefied Petroleum Gas	542	8.8	407	10.0	420	6.3	60	9.8
Other	908	9.4	1,153	6.3	1,321	7.4	1,066	8.8
Total Domestic	9,825	3.8	8,626	2.9	8,671	4.8	9,941	4.9
Exports—								
Crude Oil	28	—3.8	30	..	30	6.2	30	6.2
Products	277	3.0	317	—2.8	315	..	303	1.0
Total Exports	305	2.3	347	..	345	0.6	333	1.5
Total Demand	10,130	3.8	8,973	2.8	9,016	4.7	10,274	4.8

TABLE VI
Supply and Demand for Petroleum

	1956 Quantity 1,000 B/D	1956 % Increase Over 1955	1957 Quantity 1,000 B/D	1957 % Increase Over 1956
Total Demand	9,227	5.1	9,598	4.0
Stock Change	+126	---	+35	---
Requir. Supply, All Oils	9,353	6.5	9,633	3.0
Sources of Supplies—				
Nat. Gaso., LPG, Benzol	786	8.5	830	5.6
Imports of Products	483	3.6	475	—1.8
Req'd Supply Crude Oil	8,084	6.5	8,327	3.0
Imports Crude Oil	957	22.4	1,018	6.4
Production Crude Oil	7,127	4.6	7,309	2.6
Crude Oil Runs to Stills	7,965	6.5	8,221	3.2

TABLE VII
Supply and Demand for Petroleum
1957 Quarterly Forecast
(000's Barrels Daily)

	First Quarter Quantity	First Quarter % Incr. Over '56	Second Quarter Quantity	Second Quarter % Incr. Over '56	Third Quarter Quantity	Third Quarter % Incr. Over '56	Fourth Quarter Quantity	Fourth Quarter % Incr. Over '56
Total Demand	10,130	3.8	8,973	2.8	9,017	4.7	10,275	4.8
Stock Change	—405	..	+500	..	+550	..	—510	..
Required Supply All Oils	9,725	1.7	9,473	2.4	9,567	3.4	9,765	3.2
Sources of Supplies—								
Natural Gasoline, LPG Benzol	845	5.1	810	6.0	800	8.3	865	4.5
Imports of Products	560	..	440	—6.2	300	..	510	..
Required Supply of Crude Oil	8,320	2.8	8,223	2.6	8,377	3.3	8,390	3.3
Imports of Crude Oil	1,013	18.0	1,018	11.4	1,013	2.9	1,013	—2.3
Production of Crude Oil	7,302	1.0	7,205	1.4	7,359	3.9	7,372	5.2
Crude Run to Stills	8,245	3.1	8,063	3.1	8,359	3.9	8,320	3.7

TABLE VIII
Demand for Petroleum Products
Long Term Forecast (000's Barrels Daily)

Domestic Demand—	1957 Forecast Quantity	1962 Forecast Quantity	1962 % Increase Over 1957
Motor Fuel	3,967	4,687	18.0
Kerosene	325	330	1.5
Distillate Fuels	1,803	2,225	23.4
Residual Fuels	1,575	1,625	3.2
Liquefied Petroleum Gas	482	700	45.0
Other	1,113	1,533	25.0
Total Domestic	9,265	11,100	20.0
Exports—			
Crude Oil	30	25	—16.6
Products	303	225	—26.0
Total Exports	333	250	—25.0
Total Demand	9,598	11,350	18.3

TABLE IX
Domestic Demand for All Other Products
Long Term Forecast (000's Barrels Daily)

	1957 Forecast Quantity	1962 Forecast Quantity	1962 % Increase Over 1957
Lubricants	122	143	17.2
Wax	12	14	14.2
Jet Fuel	218	450	106.4
Asphalt	271	350	29.2
Road Oil	26	35	34.6
Still Gas, Misc. and Losses	464	541	16.6
	1,113	1,533	37.7

of controversial problems would be required. Chief among these problems are:

(1) The future operations of the Suez Canal.

(2) The trend of stocks of crude oil and petroleum products.

(3) The expected volume of imports.

No attempt has been made to forecast the solution to these problems but, for the purpose of completing the story, the following assumptions have been made:

First: Although the Suez Canal controversy may extend into the early months of 1957, there will be no marked change in the pattern of world movements of crude and petroleum products.

Second: The combined increase in stocks of crude oil and petroleum products will average 35,000 barrels a day in 1957 as compared to 126,000 barrels a day in 1956. The competitive nature of the industry, the increased number in the grades of products marketed and the need for efficient operation have resulted in relatively high stock levels. We expect that these trends will continue to operate during the near-term future to increase the level of stocks but not to the extent recorded during recent months.

Third: The imports of crude oil employed in this presentation are the average rates for November and December, 1956, and January, 1957, of crude oil imports shown in the schedule of the Texas Railroad Commission release of Sept. 24, 1956.

I want to emphasize that these assumptions are not my forecasts or recommendations. They are merely working hypotheses necessary to show a complete supply-demand picture.

Based on these assumptions and the forecast of demand, crude oil production would average 7,309,000 barrels daily, an increase of 2.6% over 1956.

Runs to stills required to supply the projected demand will approximate 8,221,000 B/D, or 3.2% more than the estimated 1956 runs to stills.

There do not appear to be any immediate problems before the industry that cannot be solved readily. Any marked deviation of the proportions of products consumed from the pattern forecast can be met by adjustments in yields of products from crude processed.

The seasonal trend in supplies of petroleum and products is presented in Table VII.

1962 Demand

It is desirable, when planning for the future, to have some indication of the demand likely to be experienced in the more distant future. For that reason, we have prepared a forecast of 1962 demand based on the trends as we see them today.

In preparing this forecast we considered some factors which will affect favorably the demand for petroleum. They are:

(1) Increased leisure time of passenger car owners.

(2) The growth in number of two-car families as the switch to suburban living continues.

(3) Improvement in highways between distant points.

There is also one major factor which will be operative in the more distant future, but its effects on demand cannot be appraised at this time. That is new types of engines, gas turbines and free piston engines, which are now in the development stage.

It is our estimate that by 1962 domestic demand will approximate 11,110,000 barrels a day, an increase of 20.0% over the forecast of 1957. Domestic demand for motor fuel should be at least 18.0% higher and distillate fuels 23.4% above 1957 forecasts. Exports of crude and products will probably decline about 25%, dropping to about 250,000 barrels a day.

The combined total demand in 1962 of 11,350,000 barrels a day, is an increase over 1957 of 18.3%.

The level of demand estimated for both the near and long-term future is influenced by the results of previous forecasts. The 1956 experience indicates that conservativeness was an important factor in forecasting and the forecasts should have been more optimistic.

The forecasts presented for 1962 may also be too conservative. I suggest that the indicated trends be considered as more important than the absolute volumetric levels that have been presented.

In closing let me summarize by saying it is expected that the total demand for petroleum and products in 1957 should be at least 4% greater than in 1956; and that, in the five years from 1957 to 1962, demand will increase at an annual average rate of 3.0%.

Continued from page 5

Observations . . .

marginal economic benefits to Japan and other nations, but would remove an important element in anti-American propaganda and strengthen the relations of the United States with other countries in the free world.

The Japanese Economic Problem

Again in the economic area, there is the problem of the future of Japanese trade, with her need for imports, necessitating concurrent exports—a question intimately bound up with recognition of Communist China. But, as the Assembly conferees point out, Japan's major trade problem will for some time to come lie in its deficit with the North American continent.

In this connection they recognize that any extraordinary expansion of markets in the United States in particular export products during short periods might put serious strains on American industries; that Japanese trade with the United States can best be developed on the basis of diversification and gradual expansion; and that American trade policy, on the other hand, should recognize the vital importance of her trade to Japan, and try to strike a proper balance between local domestic strains and the efforts of Japan to be self-supporting.

Other Pressing Issues

Other pressing Far East questions highlighted here include security for ourselves and friendly nations; military bases in Okinawa and charges of colonialism; Korean unification (with possible UN guarantees), a possible plebescite in Taiwan; cultural interchange; the flow of information, including State Department policy on permitting our journalists to visit Communist China as do those of other countries; and of course "those hot ones" of Communist China's admittance to the United Nations, and her recognition.

As was forcefully pointed out here by Lester B. Pearson, Canadian Secretary for External Affairs, China policy constitutes a focal point requiring closer cooperation between the States and its Western Allies.

These items were clearly analyzed here in a major plenary session address by Ernest A. Gross, former United States Ambassador to the United Nations; including his warning of the "overhanging threat of the uneasy armistice" in Korea, largely from subversion and indirect aggression, which may well become climactic with Rhee's ultimate exit from the presidency.

Small wonder that the quarterbacking taxi-driver fraternity comprises the only individuals available to run our State Department satisfactorily!

* * * * *

The Assembly, an adjunct of Columbia University established by General Eisenhower in 1950 when he was President of the University, meets on the mountain top "Harriman Campus." It is housed in Arden House, an 80-room labyrinthine mansion built in 1908 by Col. E. H. Harriman, and donated to Columbia by his son Averell. The conclusions of the previous gatherings have exerted considerable influence on the determination of Governmental policy, domestic and international. This meeting was presided over by Courtney C. Brown, Dean of Columbia's Graduate School of Business.

* * * * *

READER OBSERVATIONS

For—Stock Splits

DEAR MR. MAY:

As an investor-subscriber to the "Chronicle," I am always interested in your columns and they are always most helpful. However, regarding your talk to Women at the Hotel Roosevelt on Stock Splits and your objection to same, published in the Nov. 15 issue, I wish to make the following comments.

At present I own 630 shares of General Motors now about $45 a share. In 1935 I bought my first small lot at 42¾ a share (about $600 worth). Since then it has been split twice, now worth six times the full lot purchase price or $270 a share. Would I pay $270 a share for it today, or in 1935, with the limited amount of purchasing power I had then, or what others starting out now have for stock buying? Agreed that G.M. is well worth $270 (without split), but I would not have bought this stock today feeling a price of 270 sounds too high, and that a place of diversification would give me only two or three shares for the money available.

Also during 1935 I bought another small lot of General Electric at 31⅝ (or about $600 worth), since then split three-for-one and now about $60 a share or $180 a share if not split. The same observations could apply to my General Foods, National Dairy, Santa Fe, Texaco, Halliburton and others that doubled and tripled in value.

Having been in merchandising and food chains in my 54 working years, I have found out that lower prices sell the goods even if sliced up, and the average buyer is interested in getting more and not less whether it's buying a $200 suit or two $100 suits. Per my contacts with new stock buyers and those interested in investing, this also applies there. Call it pride in quantity, ownership, limited buying power or just wishing a lot for their money!

Any way one sells it, put the sugar on the cake and in a fancy box, the customer likes it that way. No one is the loser, no one is hurt. Everyone for their money what they like as long as they buy good stocks.

To sell free enterprise and combat Communism with new ideas and better methods, let's all pull together for more stockholders!

GEORGE J. MEYER

6911 Yellowstone Boulevard
Forest Hills, New York
November 17, 1956

* * * * *

Against—Splits

DEAR MR. MAY:

If conveniently available, we should be very much interested in receiving a transcript of your recent talk before the Public Foundation for the Economic Education of Women in which you commented on stock split-ups. . . . Your views are a refreshing change from those we usually hear in favor of split-ups.

SHERWOOD WALDRON
Assistant Vice-President
American Home Products Corporation

November 16, 1956

New York's Future To Be Analyzed

"The Future of Metropolitan New York" will be analyzed by four experts and 250 public officials, business and civic leaders at a Conference to be held at Pace College on Tuesday, Nov. 27.

It will also focus on the College's 50th anniversary theme, "Responsible Participation In An Economy of Free Men," and will be the first of three major conferences to be held in the interest of the community during Pace College's Semicentennial anniversary year.

The speakers and topics will include: James Felt, Chairman of the New York City Planning Commission, "The Role of Government in Building the City of Tomorrow"; Erwin Wolfson, President, Diesel Construction Co., "The Challenge to the Private Builder";

Dr. Raymond Vernon, Director, Harvard University's New York Metropolitan Region Study, "Can the Metropolitan Region's Development Be Forecast?"; and G. Yates Cook, Urban Renewal Consultant to Sears, Roebuck & Co., "Industry's Stake in Urban Renewal," James O. Boisi, Chairman of the Department of Real Estate and Insurance at Pace College, will preside.

THE MARKET . . . AND YOU

By WALLACE STREETE

No Thanksgiving

Stocks sagged rather ominously this week from the burden of many disappointments as well as the international situation. The 476 area where support had been expected for the industrial average gave way easily and the penetration, in itself, helped put a little extra weight on the list. There was little of Thanksgiving in the market.

* * *

Aluminum shares were a prominent group on persistent easiness but had plenty of company. Among the bluest of blue chips du Pont was the weakling, running a string of new lows together to lop around 25% off the price tag from its peak of this year. Dividend disappointment was only partly responsible since the slide had been well underway even before the year-end payment was trimmed a dollar to $2.

Gyrating Wonder

War stocks were the bright spots, including selected steels and shipbuilding issues. Lukens Steel was a gyrating wonder after having fared well last week. It reached a peak of $172 early in the week to show a gain of $130 over its price last January, the specific reason being estimated earnings of $20 this year which is some fourfold last year's results. A "thin" market and locked-in shorts accelerated the moves.

* * *

The big question obviously was how long the steels could keep up this contrary strength although statistically they have not yet worked to where they are palpably being carried by excessive speculation. And some individual situations appeared able to move higher despite the general market or even of the steel group itself.

* * *

Granite City Steel, which was shunned by most informed investors as recently as at the end of World War II, has modernized busily and its profit margin last year was the best in the industry. A new record in earnings is virtually assured for this year. Despite a fat 830% expansion in the postwar decade, the company is still expanding with a $20,000,000 growth in sales being projected to 1958 and net profit estimated at some three times its present dividend. This, obviously, makes it a candidate for higher payments in the future.

* * *

One of the ultra-cyclical companies of the past that has been making diversification progress in recent years, and is still in the process of diversifying further, is American Steel Foundries. Like the other railroad suppliers, its past is replete with violent ups and downs of familiar one-industry pattern. And, moreover, it was subjected to a rather sharp trim in sales in 1954 and 1955 when railroad orders lagged, and before the benefits of its diversification could be felt. This year, however, the company's fortunes changed drastically.

* * *

On only slightly expanded sales, American Steel Foundries has been able to boost profits markedly; for the first nine months alone they are greater than for any full year in the last decade. Railroad equipment currently is down to around half of total sales and non-rail lines provide more than half of the profit.

Interesting Capital Goods Issue

In the capital goods field National Acme is one with an unclouded horizon to most analysts, barring a drastic change in the world situation. Its machine tools are in growing demand abroad and the $9 earnings estimated for this year is being projected to around $10 next year despite spotty earnings reports in other lines. It is, moreover, one of those situations where there is no debt or preferred stock and any earnings lift could be translated directly into the price of the common stock.

Superior Rail Performance

Since the railroads, by not having participated in the enthusiasm that engulfed the industrial shares in the past few years, have had less excesses to remedy, the carrier shares were able to resist the downpull with far more luck than the traditional "growth" issues. And the superior action inevitably turned a measure of attention their way.

* * *

One of the more intriguing situations is the Northern Pacific-Great Northern one where long-range studies are under way to figure out benefits of a merger. Unlike most merger situations, either carrier is held in good regard generally whether or not a merger does take place eventually.

* * *

Northern Pacific is attractive both because its own activities are humming and also because of its large timber and oil lands. The oil income this year is expected to come close to double the $1,700,000 earned from this source last year. In the rail operations, its passenger revenues are small so that this normally unprofitable load is at a minimum. In all, its non-railroad operations are expected to generate $11,500,000 this year which would more than pay the line's fixed charges.

* * *

Great Northern, in addition to its iron ore and agricultural hauling, has been benefiting in recent years by increased industrialization in its area. Moreover, internally the company has reduced debt and improved property while building up a solid financial position. Both Great Northern and Northern Pacific earnings are understated to a degree by excluding undistributed earnings of the Chicago, Burlington & Quincy which they control jointly.

* * *

In the event of a merger—and management studies won't be finished until well into next year — a major transportation system of 30,000 miles and assets of three billion would emerge. Some unofficial estimates have indicated that economies of the merger might add $25,000,000 or more per year to the income of the combined companies, adding to the picture of an attractive speculation.

The Deflated Tobaccos

Cigaret companies, too, have had their own bear market and have been able to pretty much ignore the latest general market uneasiness. Both Reynolds and American Tobacco, the top two in the industry, have been sufficiently deflated so that yields of 6% or better are available. The powerful swing to filter cigarets has brought projections of higher earnings ahead in a comforting rebound from the interruption of the cancer scares in recent years.

* * *

Sales of Reynolds are being estimated at close to the billion dollar level in a year or so if the uptrend continues. American, which had billion dollar sales last year, is also considered on the uptrend both in sales and earnings with its dividend well covered. At recent prices American's yield has approached the 7% level.

[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.]

Three With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Donald D. Dore, George P. Dotzler and Jules S. Seretan have become affiliated with E. F. Hutton & Company, 623 South Spring Street.

Continued from page 2

The Security I Like Best

seems likely that both countries—and perhaps other satellite countries—are short of either steel or tin or both.

World mine production of tin in 1957 may well be no more than in 1956 and a shortage could develop with advancing tin prices. It has even been suggested that the International Tin Council would be acting wisely to avail itself in the months ahead, and before a shortage becomes a reality, to raise the price limit written into the agreement so that a buffer stock may be accumulated.

When in April, 1955, Pacific Tin bought a group of feldspar mining and milling operations it was stated that they accounted for "about 25% of the feldspar produced in the United States." By July, 1956 it is reported the company was accounting for about 32% of the total. One feldspar plant located at Monticello, Ga., by reason of its proximity, should be in an excellent position to secure some feldspar and sand business from the new Owen Illinois Glass plant now building outside Atlanta, Ga. Second only to International Minerals and Chemical Corp. which probably accounts roughly for 48% of total production, the future of this division of Pacific Tin would appear to be secure and bright.

The company's decision to apply dredging methods for the recovery of diamonds from deeper alluvial deposits came from the knowledge that the dredging techniques they had developed would be reasonably successful. Based upon a lease and royalty arrangement with a French diamond mining company it soon will proceed with exploration in French Equatorial Africa. A similar arrangement is being sought in Venezuela. The possibilities inherent in this type of operation are quite apparent.

Revenues for the first six months of 1956 totaled $2,755,000. Earnings were 38¢ a common share after allowing 24¢ a share for depreciation and depletion; thus, the cash flow was 62¢ a share. With tin prices firming and feldspar prices adequate, the outlook for the remainder of the year is promising. Dividends at 10¢ quarterly look conservative. The 1,086,737 shares outstanding are traded currently at about $7 on the New York Stock Exchange.

Phillips Joins Staff Of Scharff & Jones

JACKSON, Miss. — Scharff & Jones, Inc. of New Orleans announce the appointment of Logan Burch Phillips as an association of George E. Donavan in the Jackson Mississippi office, in the First National Bank Building.

Rodney K. Merrick

Rodney K. Merrick, president of Swain & Co., Philadelphia, passed away November 13th at the age of 70.

Joins Sterling Secs.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Richard L. Jetter is now with Sterling Securities Co., 714 South Spring Street.

With F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — John B. Knox, Jr. has become associated with Francis I. du Pont & Co., 317 Montgomery Street. Mr. Knox was previously with E. F. Hutton & Co.

Suez Crisis and Disinflation

By PAUL EINZIG

So long as the Middle East tension remains and does not become aggravated, the oil shortage may cause in Britain, Dr. Einzig believes, a slowing down of consumer purchases, larger export surpluses, wage drive to be held in abeyance, and capital investment to be postponed; and, in turn, may make further disinflationary measures unnecessary. Author measures effect of crisis upon balance of payments and discusses other possible remedies to prevent gold loss.

LONDON, Eng.—When the Suez crisis became aggravated at the beginning of November, it came to be widely believed that Chancellor Macmillan would decide in favor of accentuating the disinflationary credit squeeze. This view was based on the assumption that the military expedition and its consequences were bound to produce inflationary effects. And since Mr. Macmillan decided against counteracting such effect by means of an autumn Budget, the only obvious alternative was to seek to counteract it by means of yet another dose of monetary disinflation. This appeared to be necessary also from the point of view of trying to correct the effect of the blocking of the Suez Canal on the British balance of payments. One of the reasons for the weakness of the Stock Exchange and especially of Government Loans, was the widespread anticipation of higher Bank rate.

Dr. Paul Einzig

Although the military expedition to Egypt resulted in some increase in public expenditure, its extent to date is estimated to be only between £35 million and £50 million. Considering that the Budgetary situation is fundamentally sound, such a slight increase need not produce any noteworthy inflationary effect. On the other hand, it would be a mistake to try to minimize the effect of the Suez crisis on the balance of payments. From that point of view too, however, the fact that the balance of payment was at an equilibrium before the crisis will make it easier to face the adverse effect of the crisis.

Traces Possible Gold Loss

Although sterling had to be supported ever since the beginning of the Suez dispute, and considerable losses of gold have been incurred, his has been due to the withdrawal of foreign balances from London. At present foreign holdings are so low that further substantial withdrawals are unlikely. Nevertheless, the outflow of gold is likely to continue partly owing to seasonal influences and partly as a result of the deterioration of the balance of payments. While the decline of exports is not likely to be very large, the balance of payments is bound to be affected considerably through the diversion of oil imports. Sterling oil from the Middle East has to be replaced by dollar oil and this necessarily causes loss of gold.

One of the ways in which the balance of payments could be corrected would be an accentuation of the credit squeeze. By reducing domestic consumption it would tend to cause a fall of prices and would increase the exportable surplus even if the total output should suffer as a result of temporary shortages of oil. Alternative methods of correcting the balance of payments would be exchange control, devaluation, or the realization of some of the Treasury's foreign securities.

Discounts Disinflationary Measures

The present Conservative Government would of course be reluctant to resort to exchange control. Nevertheless, Mr. Macmillan is less dogmatic about this than his predecessor. At the beginning of the Second World War he sharply criticized the Chamberlain Government for the slowness and inadequacy of the Government's initial measures of exchange restrictions. So on the whole it seems probable that in case of an aggravation of the situation Mr. Macmillan would not hesitate to restore exchange control. But amid the situation such as it is, the fundamental Conservative reluctance to introduce controls will not be overcome.

As for devaluation, the idea has been rejected out of hand. It was emphatically repudiated by Government spokesmen on the occasion of the recent Debate on the economic situation. Devaluation would certainly not help toward counteracting the effects of the diversion of oil purchases. In all probability the solution the Government will choose will be that of the realization of some of the Treasury's dollar securities. While it would be deplorable from the point of view of weakening the reserve and deferring further the day of convertibility, it would be the smallest of the evils.

It seems to be unlikely that the Government would seek to correct the situation by a new disinflationary drive. Apart from other considerations an accentuation of the credit squeeze is not necessary in existing conditions. There are indications that the uncertainty created by the crisis has caused a decline of consumer demand at any rate for luxuries and secondary necessities. The fall of Stock Exchange quotations and the decline of industrial profits have induced the investor classes to curtail their spendings. A decline in their demand tends to result in a curtailment of production and this may lead of unemployment or short-time working.

Wage and Capital Postponement

In view of the uncertainty of the oil supplies managements and workers have become increasingly reluctant to work overtime. As a result there is a decline in the amount paid out in wages and this decline is liable to continue. Above all, there is in addition at least a possibility of an enforced curtailment of production through oil shortage. This would act as a powerful deflationary force. In such circumstances, it seems probable that most trade unions will abstain from pressing unduly their inflationary wages demand. If so, the right thing will happen for the wrong reason.

Having regard to these circumstances further disinflationary monetary measures are, therefore, not considered necessary. Indeed, it is considered possible that, should the fears of a decline of production through oil shortages, or through a prolonged decline of consumer demand materialize, the Government could well afford to relax its disinflationary measures. It might then become possible to lower the bank rate without running the risk of accentuating inflation. Indeed, a reversal of the disinflationary policy might become imperative in order to prevent the development of a deflationary spiral. The decline of consumer demand and of capital investment might easily assume such proportions as to necessitate measures to encourage spending by producers and consumers alike.

Obscure and Uncertain Outlook

All this supposes that the Middle Eastern situation will not become aggravated and that, on the other hand, it will lead to prolonged international tension and to difficulties regarding the oil supply. An early reopening of the Suez Canal for traffic would avert oil shortages and if accompanied by a relaxation of the tension, consumer demand would resume its normal course. An aggravation of the crisis on the other hand, might lead to more extensive military preparations leading to strong inflationary effects. The political outlook is uncertain, and so are the prospects of an early reopening of the Canal. For these reasons, economic prospects are obscure and highly uncertain.

Joins Blair Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Richard B. Scharff has joined the staff of Blair & Co. Incorporated, 105 South La Salle Street. He was formerly with Reynolds & Co.

With Central Republic

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert B. Hulick is now with the Central Republic Company, 209 South La Salle Street, members of the Midwest Stock Exchange.

Lyster C. Reighley

Lyster C. Reighley, senior partner of De Coppet & Doremus, and a member of the New York Stock Exchanged, passed away Nov. 10 of a heart ailment at the age of 65.

Blodgett, Morgan V.Ps Of Stone & Webster

Stone & Webster Securities Corporation, 90 Broad Street, New York City, has announced the election of Emmons W. Blodgett

Emmons W. Blodgett Donald S. Morgan

and Donald S. Morgan as vice presidents in the New Business Department, resident in New York.

Mr. Blodgett has been associated with the investment firm since 1945 and has specialized in the financing of electric and gas utilities and of natural gas transmission companies.

Mr. Morgan joined the firm early in 1955, having previously been president of Langevin Manufacturing Corporation and executive vice president of Univis Lens Company. His activities with Stone & Webster Securities Corporation will continue to be in the industrial field.

Howard C. Ross

Howard C. Ross partner in Leftwich & Ross, Memphis, Tennessee, passed away at the age of 57 following a heart attack. Mr. Ross formed Leftwich & Ross in partnership with William Groom Leftwich in 1936. Prior thereto he had been with the Union Planters National Bank and the old Bank of Commerce and Trust Company.

Firm Name Now White, Masterson

HOUSTON, Texas — The firm name of Chas. B. White & Co., Rusk Building, has been changed to White, Masterson & Co. Partners are Chas. B. White and Neill T. Masterson, Jr.

Mr. White has been in the investment business for thirty years and organized Chas. B. White & Co. in 1937. Mr. Masterson joined the firm in 1946.

White, Masterson & Co. will continue to act as distributors and dealers in government, municipal and genral market issues, specializing in Texas municipal issues and over-the-counter securities.

Logan McKee, Polette With White & Co. Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Logan A. McKee and Leon J. Polette are now with White & Company, Mississippi Valley Bank Building. Mr. McKee was formerly in charge of the local office of Barrett Herrick & Co., Inc., with which Mr. Polette was also associated.

Boettcher Co. Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Neil J. Sharkey has been added to the staff of Boettcher and Company, 828 17th Street, members of the New York Stock Exchange.

With Allied Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Leon G. McNeely, Jr. has been added to the staff of Allied Investment Company, Walton Building.

With Luna, Matthews

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ga. — Guy Smith is now connected with Luna, Matthews & Waites of Birmingham.

Education and Finance Face the Future Together

By HAROLD E. WOOD*
Harold E. Wood & Company, Investment Securities
St. Paul, Minnesota

St. Paul investment firm head discusses joint task of finance and education in educating country's youth to understand investment process and to accept the financial challenge of the future. Mr. Wood describes the expansion and importance of broadened equity ownership, the need to make economic democracy as strong and as potent as political democracy, and the challenge in meeting future growing capital requirements. Stresses, in a list of underlying principles, how the dangers of inflation are met through the purchase of equities. Writer recounts successful outcome of senior high school economics class tour of St. Paul's finance and industry centers.

We are concerned with finance, its impact now and in the years to come, and how best we can educate and discipline ourselves and those who come after us to achieve those objectives to which you and I are dedicated. I consider these aims to be at the individual level, but true also at the institutional level: First, the investment of savings for income, relative security, and growth — varying in degree with the individual desire and need of the buyer, and, secondly, behind this the underwriting on a long-range basis of the expansion needs of American industry, but that underwriting only possible if the securities underwritten can be sold. I am not talking speculation as opposed to venture capital. It has a definite and proper place in our economy, but it is not for the average man with whom we are concerned tonight. It is for the few.

Harold E. Wood

Tell What America Has Done

Youth will better accept the financial challenge of the future if its imagination is fired by recalling for him our romantic past and infinite present; if we bring to mind a list of American achievement — first investment, then production — the interplay of one upon the other — steadily building to the unparalleled prosperity and achievement of today. You know those words of Emily Dickinson over 100 years ago,—that in the imagination three grains of sand can be a desert, three blades of grass a prairie, and three drops of water an ocean.

Give to your student a picture of what America has done, and you create for him a more vivid picture of the world in which he has the opportunity actively to participate than by any recital of dry statistics. Have him think of the McCormick Reaper, the development of the telegraph in the 1850's, the first commercial oil well at Titus, Pennsylvania, in 1859, the development of the railroads in the middle decades of the nineteenth century, Pullmans, diners, refrigerator cars, George Westinghouse and the automatic airbrake, Bessemer steel and the open hearth, Edison and the electric light bulb, and the telephone. Later, aluminum on a commercial basis. In the early 1900's the moving picture, x-ray, wireless, diesel engine, in the same decade the first automobile as against 55 million motor vehicles on the road today. Later the airplane, the radio, television, radar, electronics, creative chemistry, and automation with its requirements for replacement and equipment, and in the past ten years their expansion and refinement.

Certainly out of these can come an overwhelming realization of the opportunities open to him, not only for a life work, but for the investment of his dollars.

David Rockefeller, Executive Vice-President of the Chase Manhattan Bank, speaking before the Economic Club of Detroit on Feb. 27, 1956, stated that in the past fifty years one trillion 750 billion dollars had been invested in industry in the United States, and that, after allowance for depreciation and obsolescence, and in terms of today's prices, that same investment had a value of one trillion one hundred billion dollars. It represents the homes we live in; the property of Government, roads, schools, and parks; automobiles and appliances, inventories, and capital goods,—the basic facilities for production and distribution of the things we buy. From whence did these billions come? Two-thirds from the direct re-investment of corporate profits, the plowing back into business of half of the money earned, and one-third from individual investors, life insurance companies, and the like, largely through investment bankers, who produced a large part of this outside money. What a magnificent and constructive achievement!

The Owners of America

It is of that individual investor I would speak, your concern and mine,—the buyer of today, and your student of today who will be the buyer of tomorrow. To quote from the Editors of "Fortune" magazine, we are dealing with "The Changing American Market—The Economic and Social forces that are re-shaping the face of America", "the revolution in income which is re-shaping the market," "the dynamism that gives the American dream its economic substance." The editors go on to say that "the most important change the past few years, by all odds, is the rise of the great mass into a new monied middle class." "Over the past half of century, American consumers have spent, on the average, 93% of their income and put the other 7% into savings—which include cash, bank deposits, accumulations of cash value on insurance policies, and equity payments on houses." "The tendency", says "Fortune," "is for a higher percentage of saving, as income rises."

The Individual's Investment Role

Let's refer to the individual who buys the Common Stock and increasingly, through the years, will be financing our industrial growth.

Now, no estimate or study had been made of the number of common stockholders in the United States until the Brookings Institution in 1952 came up with a figure of 6,490,000 people, and the New York Stock Exchange in 1955, in its study, "Who Owns American Business" placed the figure at 8,630,000 people. It represented a 33⅓% increase in four years. It also revealed that the average age of the new shareholders between 1952 and 1955 was 35 years, which is, of course, of great significance. Young men and women are the new buyers of today. There are an additional 1,400,000 individuals owning shares in privately-held corporations, and one hundred million more who indirectly enjoy corporate ownership, through their stake in life insurance companies, pension funds, and the like. As you consider these facts, you cannot fail to recognize the underlying strength of the American economy, due to this broad ownership, and you and I must recognize it as we approach the problems and ideals of American life today.

More dramatic indications come from considering a few individual companies. In 1901 U. S. Steel had 14,000 stockholders, 244,347 at the end of 1955. American Telephone and Telegraph had only 8,000 stockholders in 1901, and 1,408,851 at the year end 1955. Standard Oil of New Jersey, a relatively new publicly-owned company, had 8,300 stockholders in 1920, only 36 years ago, and now has 324,220. You have these investment groups "clubs" they call them, 10,000 strong and boasting 100,000 members. You have the phenomenal growth of the investment trusts, — $10 billion in assets at last year's close, and 1,500,000 shareholders.

Growing Need for Investors

All of these investments, representing the purchase of ownership in American enterprise, "will prove", as Keith Funston, President of the New York Stock Exchange recently said, "one of the healthiest and most remarkable events of our time . . . historians of the future will look back on the decade following World War II as the period when the United States finally began achieving a man-in-the-streets kind of economic democracy, in which millions of middle-income and working people hold, through ownership, the real balance of economic power."

But we must encourage more people to buy, to meet the demands of the future. "This is one of the great ideas," said Funston, "one of the great opportunities, and one of the great responsibilities" which you and I face today.

The Joint Congressional Committee on the Economic Report says we will need an annual rate of business investment of $65 billion in 1965 alone, a 55% rise over the need of today.

$240 billion were poured into American industry from 1945 through 1954. It is estimated that $375 billion will be needed in the period 1955 to 1965 to reach that $65 billion capital expenditure need of 1965 itself. It will come partly through the purchase of corporate bonds, partly of common stocks. In addition, we cannot forget the astronomical total of municipal bonds to be issued—$25 billion for water and sewer needs, $16 billion for schools, and $100 billion for roads, and there are other public works to be considered.

Industry Breakdown of Capital Needs

What are some of the specific developments envisioned in these fantastic totals. They are developments certain to stir the imagination of the youth of our country. We have the oil industry needing $73 billion in the next 10 years, of which they will require $10½ billion from the public. It is said that the number of motor vehicles on the road will go from 55 million to 85 million between now and 1975. The Department of Economics, McGraw Hill Publishing Company, estimate that in 1970 we will use five times as much electricity as we do today, and three times as much electric power will be consumed. Consumer spending will increase from $265 billion in 1956 to $420 billion in 1970—consumer spending—the spending that you and I do day by day. The production of petrochemicals will triple by 1970, and by that time per capita income will be 40% above the 1950 level.

Manufacturing companies anticipate that 11% of their sales four years from now will be in products not made in 1955. Aviation anticipates 20% in new products, not 11%; Chemicals 15%; and Electrical Machinery 18%. As the prophets discuss United States population growth, they talk about 500,000 new homes as needed each year for the next 20 years, and 500,000 additional homes annually remodeled or altered in substantial degree. Need I speak of the emphasis on research and development, of which we have been so aware the last two days on the Rensselaer Polytechnic campus? Research in all fields last year totaled $5 billion. A 33% increase is expected by 1959. Time does not permit me to detail specialized developments in the extractive industries — oil, steel, uranium, titanium, lithium, nor even to suggest the significance of steel consumption going from the 115 million tons this year to the 200 million tons of 1975.

As for air transportation, the CAA says that by 1965 it will rise from a current 20% of the entire transportation carrier market to over 50%, and if you take the more immediate indications of which you and I are aware today, consider the $575 million just borrowed by the American Telephone and Telegraph Co.; Chrysler projecting a billion-dollar program over the next five years; Ford $3 billion in the next three years; and Standard Oil of New Jersey $1.2 billion for world-wide expansion, "reflecting," in the words of its Chairman, "our confidence in the economic outlook."

You have seen the recent advertisement in many of the papers throughout this country—"Everywhere you look, America is growing." What a thrilling challenge that is to all of us—"Everywhere you look, America is growing!" As I think of "America growing," and what the youth with whom you and we are concerned can do to contribute to that America, I think of what Clemenceau said at the end of the first World War, "France will be what the men of France deserve," and our America will be what the youth of America deserve. Obviously these demands will require the investment of greater savings by a greater number of people, that we may meet these challenges. Professor Griswold of the Amos Tuck School of Business Administration at Dartmouth said recently—"If the needed capital is to be obtained by broadening the base of stock ownership, a well-directed educational campaign is necessary."

Increasing Response

A recent survey of the New York Stock Exchange indicates that "Approximately four million non-share-owning households have actually thought about investing in stocks within the past year, and, about 20 million adults indicated they would be interested in a plan for buying regularly a small amount of stock in one or more leading corporations."

To quote again from David Rockefeller: "There is a great job to be tackled in the years ahead. . . . The men of finance also have a unique opportunity in this era we live in. I have the faith that they will not let it slip by—that they will leave their mark on the growth of America and the free world, even more in the future than in the past. I am confident the generations of tomorrow, looking back on these days, will observe that the contribution of finance was both a positive and an essential one."

I shall only recite in passing the media, not necessarily in order of importance, through which the American Securities Business is becoming known to the American public; the increasing financial coverage by the average newspaper, making young and old more aware of our markets; news ticker services; bank letters such as the First National City and the Cleveland Trust, available to all of you upon request; short popular texts on securities and the market in general, particularly some of the literature put out by Merrill Lynch, Pierce, Fenner and Beane, such as, "How to Analyze a Balance Sheet" (Merrill Lynch has spent $15 million in the past 15 years developing their educational program); special studies made possible by Foundation Grants; employee stock ownership plans, and the monthly investment plan of the New York Stock Exchange. College catalogues reveal an ever larger number of courses dealing with the securities markets.

There are news letters—"Kiplinger," "Whaley-Eaton," and financial magazines, such as "Business Week" and "Forbes;" others with wide circulation, such as "Time" and "Newsweek;" and "Federal Reserve Bulletin;" the "Survey of Current Business" by the United States Department of Commerce; corporation reports, annual and interim, readable and attractive. The National Association of Investment Companies, and most of its members, put out excellent material pointed to the modest investor. Other associations, such as the Investment Bankers, and the National Association of Securities Dealers, Inc. also publish informative material. There are advisory, statistical and forecasting services. The investment houses themselves sponsor many programs.

Then there are an increasing number of books written on every phase of the industry, unfortunately too technical in many cases; correspondence courses such as the Investment Bankers Association gives at the University of Chicago, and there are courses sent out by the New York Stock Exchange; refresher courses, such as the Investment Bankers Association gives each spring at the Wharton School of Finance; Investment in America Week, particularly successful in Philadelphia and San Francisco; the Seattle experiment at the high-school level; and the Joint Committee on Education mentioned last night with its scholarships in the summer for college teachers, spending several summer vacation weeks on Wall Street; radio, television, and movies; the public addresses of men like Keith Funston of the New York Stock Exchange, Edward T. McCormick of the American Stock Exchange, and George W. Davis of the Investment Bankers Association; educational advertising programs of the New York Stock Exchange; and finally the forum series of banks, investment bankers, and the exchanges. Typical of their success is the report I got the other day from the Midwest Stock Exchange in Chicago. It announced six lectures. The capacity of the lecture hall was 300. The demand was so great that three series were given instead of one, and the exchange still has a waiting list of over two thousand applicants for the course.

Broadened Program Proposals

In all of these activities we have two purposes in mind. We not only ask why people do not buy. We ask them—can they afford not to buy? To achieve our goals, we need your help. We cannot do the job alone, particularly when we think of the investor of tomorrow.

In the first report of the Research Committee of the Dartmouth Economic Research Council — "Broadening the Base of

*An address by Mr. Wood before the American Securities Business-Rensselaer Industrial Conference, Troy, New York.

Stock Ownership," the Council says: "We conclude that programs to actively promote share ownership must be accompanied by educational efforts designed to acquaint the prospective owner with the nature of his ownership, the potential rewards, the possible risks, and the kinds of surveillance needed to benefit from the investment. This is no easy problem. There is wide-spread evidence of ignorance among all groups about the subject of stock ownership. We see that this problem exists, and we find that it needs to be attacked."

We investment bankers agree with Funston as he says, referring to the broadest possible participation of the public in our securities markets: "Within the framework of our economic system — with freedom — and with competition — we are extending the advantages of ownership with its great benefits to more of our people. Through broader ownership, we are on the way towards making our economic democracy as strong and as potent as our political democracy. Broader share ownership is, in fact, so integral a part of democratic processes, that we must accomplish it, however painstakingly, if we are going to keep our essential character as a nation."

To my mind, the Securities Business is fundamentally a profession. It is highly technical. In working with us, we do not ask or expect that you teach techniques, or give investment advice.

Underlying Principles

What we need and ask of you is sympathetic cooperation and support in a few broad underlying principles. As I see them here they are:

First, we trust you share our conviction that there is security of income and principal in conservative investment, and that you are fully aware of how appreciably re-invested income grows in the building of an estate. A recent pamphlet shows that anyone able to save $500 a year for a period of 40 years, starting in when young—at 2% that $500 per year is $30,000 at retirement age, and at 8%, were that high rate possible, it would be $130,000. Through income, and its re-investment whenever possible, the investor realizes an increasing economic security.

Secondly, you must know, as we do, that any amount can be purchased — one share or one hundred shares — and that it simply is not true that "only the rich can buy." The George Putnam Fund recently put out a booklet which is excellent. It is entitled, "You Don't Have to Have a Million Dollars to Invest Like Those Who Do."

Third, legitimate, amazing and worthwhile appreciation of principal over a period of years can be realized in the purchase of publicly-owned growth industries. I would tell you of one of our own Twin Cities companies. Had you bought, in 1928, 100 shares Minnesota Mining and Manufacturing Company common for $1,075.00 (when the sales of that company were around $5 million a year), your 100 shares would now be 1,600 shares, with a value on yesterday's market of $109,200 and you would have had better than $9,000 in income. (Meanwhile sales have increased to around $320 million.) To be sure, Mining is an outstanding example of successful investment, but there are many quality blue chip growth stocks which have performed fantastically well. Over a period of time we have many teen-agers come to us with a little money, wishing to buy one, two, or three shares of stock. We try to put them in the type of common which will perform well through the years, and whet their investment appetite for more, as they are able to buy.

Fourth, we would again stress that the purchase of common stocks of corporations with good management, and growth potential, which means increased earnings and consequent increased dividends and appreciation, is a hedge against inflation. May I put the subject to you again in simple language? Your 1940 dollar is only worth 58c today in purchasing power. However, if you had been able to invest that 1940 dollar in a common that today gives you twice the income of 1940, and was worth twice as much marketwise as it was in 1940, then in the $2.00 of today you have preserved that dollar value of 16 years ago.

I have a customer who will not buy a security until I give him a chart which shows that the stock which he is considering buying is earning twice what it did in 1940, and because it is earning twice what it did then, it is paying twice what it did in 1940. He also wants to know that the share is selling at twice what it did in 1940. In other words, that is how the dangers of inflation are met through the purchase of equities.

I have in mind two stocks. First, General Mills earned $2.08 in 1940 and $5.02 in 1955. It paid $1.33 in 1940; it paid $2.75 in 1955. It sold as high as 33⅝ in 1940. It closed at 77¾ at the 1955 year-end. It is worth 67¼ today (Oct. 13.) You can see that the dollar put in General Mills has not lost its principal or its income value through the years.

Or, General Motors, adjusted to a 2-for-1 common stock split, effected in 1950, and for 3-for-1 split in 1955. It earned 68c in 1939, as against $4.26 in 1955. It paid 58c in 1939 as against $2.17 in 1955. It sold at 9½ high in 1939; 54 in 1955, and on Oct. 12 it sold at 48.

Do you wonder that we believe in common stock buying as a protection against this terror people have of inflation.

Go to a reliable source for advice—as you would go to a lawyer or a doctor—to investment bankers, experienced officers of financial institutions, investment counselors, or use an investment service.

Finally, in buying, you and I must do everything in our power to make the unsophisticated investor—particularly the youngster with whom you and I are concerned—realize that in his purchase he participates actively in the development of his country, politically, as well as economically. He is becoming a part of what has been called "the miracle of America."

May I digress for a minute? Several have asked that I tell of a senior high school economics class in Estherville, Iowa. Some five years ago, their teacher, whom I had known for some years, telephoned, asking if she could bring her class to St. Paul, some morning in May. We arranged a full-day's program for the class. Estherville is approximately two hundred miles south of the Twin Cities. On the appointed morning, some twenty boys and girls left Estherville at five in the morning, arriving in St. Paul around eight-thirty. I arranged for them to spend the first hour in the local office of Merrill Lynch, Pierce, Fenner and Beane. The manager explained to them the Board, the problems and techniques of the auction market, and how it operates. They then spent an hour in our office, a microcosm of the investment banking world, because in our little shop we do underwriting, retailing, and trading. I talked to them as best I could about these functions. Then the class went to the First National Bank of St. Paul, a $400 million institution, where, for an hour, a vice-president took them through all departments, and explained to them the difference between commercial and investment banking, between short- and long-term credits, and how each fitted into the scheme of things. Then the students at the Ninth Federal Reserve Bank in Minneapolis saw how "the Fed" operated and got an explanation of its functions.

After that the class went through one of the plants of Pillsbury Flour Mills, saw food processing and milling, with concurrent discussions as to the future of Pillsbury, its expectations for next year, and its corporate setup.

Up to this point, the program has been the same each year. We have varied the afternoon schedules,—one year to Minnesota Mining and Manufacturing, another to Minneapolis Honeywell, another to Ford, or to American Hoist and Derrick. As they have gone through these plants, an attempt was made to picture problems of growth, earnings plowed back into the business at the expense of larger dividends, and the demands for research and new products.

It has been most interesting to me that every year after these boys and girls have gone back to Iowa, each fall with a summer's earnings in their pockets, six or seven of the class have sent me $100 or $200, asking that I buy for them a share or two in each of the three or four companies. I see to it that in each "portfolio" there is a stock for growth, another for income, or with some other dominant characteristic. The Estherville experience has been both an amazing and a very satisfying one.

Finance Profession for a Career

One final appeal. There is something far greater than a general knowledge of the market which we of finance would ask of education. It is a more special task. We would have you share our enthusiasm in the future of our profession as a career for young men and women when they come to you for advice as to their future. Our industry, we feel, offers a challenge to knowledge, to understanding, to achievement, and to the finest ideals of public service.

You know the phrase on the folder you may have seen among our exhibits—"To the Young Man Who Is Interested in Everything."

I liked the following advertisement in "Wall Street 1955"—an ambitious volume put out by the undergraduate editors of the Yale News:

"In whatever career you choose to follow, you'll invest almost twenty years of education, acquired at a cost of thousands of dollars. But that's only the beginning.

"You'll also invest the thirty or forty or even more productive years that lie ahead. Not only your own future, but the futures of those for whom you'll be responsible. That makes it quite an investment. And that's why we suggest giving serious thought to Wall Street as a career.

"To the right man, a career in the securities business offers a worthwhile return, both in tangibles and intangibles. In challenge, for example—a constant, continuing challenge that must keep pace with every change in a dynamic economy. In understanding of human values—for invested dollars represent the hopes and aims of men and women, entrusted to your guardianship. In interest and action and adventure and, yes, romance—for, to the right man, Wall Street offers them all.

"Not everyone is suited to the securities business. Not everyone has the combination of talents it calls for. But the man who has—who sees the securities field in its true creative light, who couples integrity with imagination, ability and application with energy and enthusiasm—will look far without finding a more rewarding career."

Certainly the young man and young woman who follow through on that and go into the investment business will come to know the meaning of the words of a recent communication of the Harris Trust and Savings Bank of Chicago, called, "Creative Banking . . . the vision to see, the background to understand, and the will to act."

I speak from the experience of 37 years in the investment banking business. I know that every dealer in this country feels as I do. He rises each morning to the excitement of a new day.

If in the preparatory schools and the colleges he has been given the ground work in history, in political science, and the fundamentals of economic thinking, and in the physical sciences, and continues through the years a disciplined self-education of the inter-relationships of economic and political forces in the United States and throughout the world, he can appraise — imperfectly to be sure, but with far more than average intelligence the happenings of each day. I like to think that the average man in the investment business is able to appraise the varying trends in automobile production, installment buying, and building construction. If he read of Egypt and the Suez—how does that affect the sanctity of contracts, what does it do to Middle Eastern Oil and the world market, and even more fundamental is the question—Does Nasser mean war? When Peron flees to a Paraguayan gunboat, what does that do to Latin-American investments? When a man in Denver is taken to the hospital, desperately ill—what does than mean to the economy of our country and to the political equilibrium of the world? These are the questions which arise each day.

Sometime ago I read a display in the "Atlantic Monthly," a municipal advertisement of the City of Lincoln, Nebraska. Pictured was a skyline, and underneath it the caption, "In Lincoln, Nebraska, there is a new skyline every morning." There is a new skyline every morning, not only in Nebraska, but all over these United States and the entire world.

I quoted to my two boys when they came into this business the words of Justice Oliver Wendell Holmes: "Life is action and passion. I think it is required of a man that he should share the action and the passion of his time at the peril of being judged not to have lived." In our industry you share the action and the passion of our time, and you live in the finest, fullest sense of the word.

The Earl of Halifax once said that "Service is the rent we pay for our room on earth." Teachers pay that rent every day you live, because they are dedicated to public service, and we too subscribe to the same ideal.

We trust that teachers will send to us young men who sense our common dream, that they may know the same satisfactions as you and we have known.

After these many years in the American Securities Business, I still thrill to the words of T. S. Eliot as they apply, not only in our personal, but also in our professional lives: "Where the bricks are fallen, we will build with new stone: Where the beams are rotten, we will build with new timber: Where the word is unspoken, we will build with new speech."

Education and finance face the future of a greater America. Let us build it with new stone, with new timber, and new speech. We trust that you will work with us, in the words of the poet, "Down that wondrous road together!"

$23,100,000 Chelan County Public Utility District No. 1 Bonds Offered to Investors

Halsey, Stuart & Co., Inc.; John Nuveen & Co., Incorporated; B. J. Van Ingen & Co., Inc.; Smith Barney & Co.; and Blyth & Co., Inc., are joint managers of a nation-wide investment banking syndicate which is offering $23,100,000 Chelan County, Washington, Public Utility District No. 1, 4¾% Rocky Reach Hydro-Electric System Revenue Bonds, Series of 1956, due July 1, 1992. The bonds are priced at 99% and accrued interest, to yield about 4.81%.

Net proceeds from the sale of the bonds will be used to initiate construction of the dam and hydro-electric generating station of the Rocky Reach project in Chelan and Douglas Counties across the Columbia River, Washington, at a point approximately 474 miles from its mouth. The first stage of the construction program will include the building of the east abutment, the earth cut-off, and approximately 75% of the spillway section. Located about nine miles upstream from Wenatchee, the site is about 95 air miles east of Seattle, 130 air miles west of Spokane, and 180 air miles northeast of Portland.

Interest on the bonds, is exempt, in the opinion of counsel, from all present Federal income Taxes under existing laws, regulations and rulings.

The bonds will be redeemable at the option of the District, in whole at any time on or after July 1, 1967, at redemption prices ranging from 104% to par; in part by lot on any interest payment date on or after July 1, 1963 at 100% from certain specified funds, and under certain special conditions, as a whole on or after Jan. 1, 1965, at prices receding from 104% to par, plus accrued interest in each case.

The Public Utility District No. 1 of Chelan County, Washington, was voted into existence in 1936 and commenced its electric utility operations through acquisition in July, 1948, of the electric subtransmission and distribution system of Puget Sound Power & Light Company in Chelan County. Properties of the District used in distributing electric energy at retail to about 16,000 customers are operated and accounted for separately from all other properties and operations of the District. The properties of the District used generally in the production and transmission of electric power and energy have a peaking capability of around 306,000 kilowatts. The dam and hydro-electric generating station of the projected Rocky Reach project will have an aggregate overload capability of 710,000 kilowatts, and the total cost of the undertaking is presently estimated by the Construction Engineer to be $250,000,000, or about $353 per kw. The dam will be approximately 4,900 feet in length, and the spillway section will be about 750 feet long. The power-house will contain seven turbo-generating units, each having a rated capacity of 90,000 kw and overload capability of 101,500 kw. It is estimated that the job can be completed during the summer of 1962.

Other members of the offering group include: Kuhn, Loeb & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; Salomon Bros. & Hutzler; Stone & Webster Securities Corporation; A. C. Allyn and Company Incorporated; Equitable Securities Corporation; Dean Witter & Co.; Bear, Stearns & Co.; R. W. Pressprich & Co.; Blair & Co., Incorporated; Hemphill, Noyes & Co.; Hornblower & Weeks; Pacific Northwest Company; Bacon, Stevenson & Co.

Frederick M. Thayer

Frederick M. Thayer, vice president of Harriman Ripley & Co., Incorporated, resident in Philadelphia, passed away suddenly November 16th at the age of 60.

Investment Firms' Contribution In Extending Ownership Base

By CHARLES F. EATON, JR.*
President, Eaton & Howard, Boston
Member, Executive Committee,
National Association of Investment Companies

Boston investment firm head, in referring to 155 investment member firms of the National Association of Investment Companies, stresses functions performed, for the past 30 years of its growth, in managing investments, now over $10 billion, belonging to one and one-half million investors, and growing importance to the economy and to the newer, smaller investor, in directing and carefully supervising savings-flow. Mr. Eaton describes the ingredients of sound investing, distinguishes this from gambling and speculation, and compares centralization with school consolidation. Maintains true, thoughtful investing demands full time professional job, and welcomes education now providing youth with increased economic understanding.

Present-day concepts of teaching the subject of economics did not exist when I was in school and I think that the nation suffered thereby. I suggest that the world we live in might be a different and better world if my generation and earlier generations had been taught that economics and finance are fundamental forces which have helped to shape the destiny of every society and every age. Surely the world of tomorrow will be a better one as a result of the role education is now playing in creating an understanding by today's youth of this vital, all-encompassing role of economics.

Chas. F. Eaton, Jr.

I am here to speak briefly about investment companies. It must be brief but I dare say you will settle for that. You may have heard of the child who, when he asked his mother a question, was told to "ask Dad when he comes home," at which the youngster said, "Oh no, I don't want to know that much about it."

The concept of centralization which lies behind the development of investment companies is not new. It has applications in almost every field of human endeavor, including education. The idea appears, for example, in the recent trend toward consolidated schools and centralized school districts. Such integrations, as you well know, combine a number of small units, none of which is adequate by itself, into a larger unit with all the facilities each one needs, and at a cost no greater, and presumably less, than the cost of the separate, inadequate units.

Investment Firm's Ingredients

The basic idea of the investment company is the same. It starts off with the premise that the business of investing is not child's play, but is a business in which amateurs can be badly harmed. It assumes that sound investing, which is certainly more of an art than a science, requires at least four ingredients: (1) the time to do a thorough job, (2) the equipment and facilities for assembling adequate information, (3) the knowledge, skills and experience necessary for reaching valid investment conclusions, and (4) the temperament to apply those investment conclusions with a minimum of emotional reaction to critical events. The investment company idea involves another assumption, too—an appreciation of the true meaning of investment as opposed to gambling and speculation.

The true investor recognizes that there is a potential reward under our economic system for those who provide the money which is used to build the factories and by the tools and the raw materials from which our industrial production stems. He also recognizes that ours is an expanding, dynamic economy which offers an opportunity for long-term growth in value as a factor offsetting the risk which investment in fluctuating securities inherently involves.

The true investor takes a long-term point of view. His is a conservative approach which attempts to reduce the risk as much as possible consistent with his objectives. He expands or diversifies his investments among a number of different enterprises, thus reducing the possible impact on his capital if one of his investments does poorly, and also improving his chances of having some investments which will show better-than-average growth and profits.

Full Time Professional Job

The thoughtful investor relies heavily on analytical study and research. He acquires a broad knowledge of economics, of industries, of corporate management, of industrial research and of individual companies. He studies countless economic reviews; he follows financial news and developments regularly; he studies companies' histories and analyzes their financial statements. He builds up personal contacts with business and industrial leaders. He keeps innumerable necessary records. He makes his investments on the basis of knowledge and facts, carefully analyzed, compared and evaluated, and on the basis of judgment fortified by years of investment experience. The amateur investor who can do these things is, to put it mildly, a "rare bird." True investing is a full-time professional job.

Now it must be obvious that there are not many people who have enough time to learn how to invest without qualified assistance, enough good judgment to invest wisely all alone, or enough money to diversify adequately their investments.

Investment Firm Fills the Vacuum

There are fewer and fewer people of great wealth today—the ones who traditionally have provided risk or equity capital in the earlier development of America. Yet capital must come from someone. There are more and more people of moderate means who want, and can afford, if we assume proper education and assistance, to set aside a portion of their incomes and savings in order to buy a share in the progressive growth and prosperity of business and industry.

The Investment Company is a medium which helps fill this vacuum in terms of both economic and individual need. The basic concept of the investment company is that it provides the investor, whatever his means, with a way of acquiring ownership of broadly diversified holdings of securities which are carefully selected and constantly supervised by men and women who are devoting their full time to professional investment management.

So you can see the reason for my comparison of investment companies to consolidated schools. The consolidated school attempts to accommodate the students of many schools, providing better facilities, better faculty, better all-around education than any of its components could provide on its own. Reduced to basic structure, an investment company is the combining of the capital of hundreds or thousands of investors into one fund so that benefits the investors could not achieve as individuals—in this case full-time professional management and wide diversification of investment—are made available to each of them as members of the group.

Provides General Public

In simple terms then, investment companies provide to the general public, on a convenient and economical basis, an investment program suitable for long-term holding and supervised by professional investment managers. There are 155 investment companies members of the National Association of Investment Companies. They manage over $10 billion belonging to approximately one and one-half million investors.

It is important to keep in mind that investors today are not a group of rich people trying to make more money or to protect what they have. There are a few such, but very few. There are rather, hundreds of thousands of small investors, many of them new investors who have never before bought securities. They are both savers and estate builders, and they need, whether they know it or not, a type of professional job done for them, a sound and constructive service which is within their means. Most people know very little about investing—some are too bold and some too timid. Both need qualified assistance in gaining the necessary confidence for investing in fluctuating securities so that they may share in the potential rewards of investing. They must know above all else that fluctuating securities fluctuate.

Educates the Public

Now I said at the beginning that your business and mine seemed to have a common denominator. You will not be surprised to hear that I was referring to the process of teaching. I can tell you nothing about your job, except to say that I realize that the role of the educator is not easy. That we have in common, for the role of the investment manager is not easy, either. I was referring particularly to the necessity in the investment company business of educating the public to an understanding of what such companies are, how they operate, and what can be expected of them. If we should create a wrong impression of our business, or leave a great area of misunderstanding as to what can be expected of it, real damage could be done to all concerned.

The investment company industry, as we call it, has been developing in this country for only about 30 years. Clearly the industry has made great progress. We have, however, our own jargon which, like that of most professions or trades, mystifies others. And so while we have been trying to tell people about our business, we have often fallen into the error of confusing them, partly because they do not understand the true meaning of our terms.

We and the Securities and Exchange Commission have invented such terms as "open-end," "closed-end," and "leverage" companies. We speak of "fixed," "group," "balanced," "periodic" and "cumulative" investing. Each word means a different thing to different people. A term understood only by the elite of the industry is "equalization"—yet it must be used. What we call sales "literature" is hardly up to the standards of Milton or the King James version of the Bible. It means anything we write descriptive of our work. Perhaps the most intriguing of all our terms—one which must be most reassuring to those who look to us with a blind faith — applies only when one withdraws his money. That is when we promise "redemption." It means to us "repurchase."

Every art or science or business has its peculiar terms. You may gather that we are no exception. On this particular score of describing and explaining our wares, we must do a better job — a far better job — of teaching. Many good people don't know what we mean when we say "income." Only recently I heard said that "Income is something you can't live within or without."

Investment Firms Do Differ

It would be impossible, in the short time alloted to me, even to attempt to explain the similarities and differences of 155 investment companies—but I must make the point that in spite of similarities they are different, very different one from the other, both in concept and in fact. There are different types of organization, different objectives, different fee schedules and different managements, all operating, however, within the basic concept of the investment company. Some companies provide a balanced investment program, holding bonds, preferred stocks and common stocks. Others invest only in common stocks, while still others invest in particular types of securities or industry groups. Some stress current income, but the degree of emphasis varies greatly; others invest for long-term growth in value and income rather than for current income. Here again they vary in many respects. Each company, however, sets forth in its Prospectus and other printed leaflets, its objectives and investment policies, together with other pertinent information, so that its characteristics and aims may be ascertained by the reader. Within these areas there is real challenge for analysis and choice on the part of both the security salesman and the investor himself. . . . You will always find the National Association of Investment Companies ready and glad to furnish any information needed with respect to investment companies. Beyond that, you need never hesitate to inquire from any of the investment companies themselves or from any members of the investment business in your community.

Investment Industry's Importance

We in the investment company business believe that it performs an important, indeed a vital, economic and social function in helping to bring together the needs of the nation's businesses for capital, and the nation's capitalists, who are now essentially people of moderate means. There is much to be gained by extending to more and more people the ownership of securities, with the risks and benefits which such investing involves. If our nation is to continue to develop new and better products, and if the benefits gained are to be spread broadly among our citizens, there must also be new and better investors. The base of ownership of the nation's business should be broadened to include many more men and women. One way of accomplishing that result is through the investment company industry, which is conscious of its responsibility and proud of its business, with a deep faith in its future.

*An address by Mr. Eaton before the Industrial Council Session on "The American Securities Business," Rennselaer Polytechnic Institute, Troy, N. Y.

Nadler Discusses Moderate Recession Prospects and Money Market Outlook

Moderate recession may be in the offing, depending upon the abatement of the Suez and European crises, according to Hanover's Consulting Economist, and should result in easier money. Should the opposite occur, Dr. Nadler predicts, money rates "could go higher." Economist defends Reserve's credit restraint policy.

The current boom in the U. S. economy may be headed for a moderate slow-down, depending on the outcome of the Suez and Central European crises, Dr. Marcus Nadler, Consulting Economist to The Hanover Bank, asserts in a report on "The Money Market Today," published by the bank.

Marcus Nadler

If the crises are settled and hostilities do not spread, the present tight money situation, coupled with increased productive capacity and rising competition, will bring on a "moderate recession" in business activity, Dr. Nadler says.

The slow-down will be accompanied by a decreased demand for credit and capital, a change toward "easier" money by the Federal Reserve authorities, increased availability of bank credit, lower money rates and higher bond prices, the economist states.

However, should the crises have the opposite effect of accentuating inflationary forces—via "scare buying" and higher prices of internationally-traded commodities—money rates will remain high and "could go higher," Dr. Nadler says.

The economist defended as "sound" the policy of credit restraint pursued by the Reserve authorities. If tight money had not been the keynote of Government economic policy in the past 18 months, the boom and the inevitable recession "would have been considerably aggravated," he points out.

The Reserve authorities' policy was aimed at clamping down on inflationary forces which appeared on the economic horizon, Dr. Nadler declares. These forces included rising inventories and the upward spiral of prices and wages, he adds.

Despite the "rationing" of bank credit, borrowers on the whole have been able to satisfy their legitimate credit needs, although in some instances the total amount desired could not be granted, Dr. Nadler says.

And, while some sectors of the economy have been adversely affected by the tight money situation, the economy as a whole is sound, and the ultimate results of the credit curb will benefit the entire country, the economist opines.

The Hanover Bank's consulting economist makes the following conclusions:

(1) **"The tight money market conditions and the increase in interest rates are the result of the sharp rise in the demand for loans, the excess demand for capital over the supply of current savings, and the policy of credit restraint pursued by the Reserve authorities.** Since the increase in the volume of bank loans was accompanied by the liquidation of a large volume of government securities the result was a considerable increase in the ratio of loans to deposits and a decrease in the ratio of capital to risk assets. These two factors coupled with the decline in the past 12 months in the volume of reserve bank credit (the base of deposit expansion), reduced the availability of bank credit and forced many banks to ration loans.

"(2) **The fact that loans increased sharply and that the banks sold a large amount of government securities, often at a loss, is conclusive proof of the effort on the part of commercial banks to meet the credit requirements of industry, trade, agriculture and individuals.** The increase in money rates merely reflects that the law of supply and demand is as effective in the money market as it is in any other market.

"(3) **The policy of credit restraint followed by the Reserve authorities was and is sound.** Many sectors of the economy are operating at capacity. The country is enjoying full employment, wages are high and rising, and commodity prices, both on the wholesale and consumer levels, are increasing. Under such circumstances an excessive increase in the money supply can only intensify the inflationary pressures and cause serious difficulties later on.

"(4) **So long as the demand for credit and capital remains as strong as at present, and so long as the inflationary pressures persist, money rates will remain high and could go higher.** This will depend partly on whether the crisis in the Middle East will accentuate the inflationary forces. Political and military developments of the kind that transpired during the past few weeks usually lead to scare buying and to higher prices of internationally-traded-in commodities.

"(5) **The policy of credit restraint, the reduced availability of bank credit and the higher money rates were bound to have an impact on some sectors.** The reduced supply of mortgage money had an impact on home starts. The higher yields on bonds increased the cost to municipalities of financing the construction of much-needed schools and other public works. Some such programs as well as those of some corporations had to be postponed. Such occurrences at times cause resentment. If, however, the Reserve authorities had not followed a policy of credit restraint during the past 18 months, the inflationary pressures would have been greater and the cost of construction of these public works, industrial and commercial buildings and homes, would have been higher. Both the boom and the ultimate recession would have been considerably aggravated.

"(6) **No boom lasts forever and the current boom is no exception.** Despite the high level of business activity and full employment, several industries are operating below capacity and the number of weak spots in the economy is increasing. If the Suez and the Central European crises are soon settled and hostilities do not spread, the tight money situation — plus increased productive capacity and rising competition— will slow down the boom and the inflationary pressures and ultimately bring them to a halt. This will be followed by a moderate recession in business activity accompanied by a decreased demand for credit and capital, a change in the credit policies of the Reserve authorities, an increase in the availability of bank credit, lower money rates and higher bond prices.

"(7) **Tight money market conditions and higher money rates prevail not only in the United States but practically throughout the entire free world. They are the result of the high level of business activity caused by increased investments and enlarged consumer demands which were bound to be reflected in the money and capital markets and in the policies of the respective central banks.** There is nothing mysterious or unusual about these developments."

Blyth Group Sells Pacific Lighting $4.75 Preferred Stock

Blyth & Co., Inc. headed an underwriting group which offered publicly on Nov. 16 a new issue of 200,000 shares of $4.75 cumulative preferred stock (without par value) of Pacific Lighting Corp. at $99 per share, to yield 4.80%. **This offering was heavily oversubscribed and the books closed.**

Each share of new preferred stock is convertible into 2.6 shares of common stock of the company, subject to adjustments in certain events, on or before Oct. 31, 1966.

The net proceeds from the sale of the preferred stock will be used by the company to finance in part the cost of the construction and expansion programs of the subsidiaries and to repay short-term bank loans.

Pacific Lighting Corp. is a holding company. Its three public utility subsidiaries, Southern California Gas Co., Southern Counties Gas Co. of California and Pacific Lighting Gas Supply Co., own and operate the largest gas system in the United States in terms of customers served. As of Jan. 1, 1956, this system supplied natural gas to a population estimated at 7,100,000 persons located throughout a major portion of Southern California, principally in and about Los Angeles.

The new preferred stock will be listed on the New York, San Francisco and Los Angeles Stock Exchanges.

Antonio Lazo

Antonio Lazo passed away at the age of 69 following a long illness. Mr. Lazo had formerly been in the investment business in New York, having been with Mackubin, Legg & Co. and Fenner & Beane, and other companies.

Industry Research Programs For the Investor to Watch

By EDWIN O. CARTWRIGHT*
General Partner, Merrill Lynch, Pierce, Fenner & Beane, Dallas, Texas

Commenting upon the paucity of research programs 30 years ago, Texas investment underwriter explains importance of research, the relationship of research to profits, and the result of his firm's survey of industry research budgets, which revealed that aircraft, chemical, electrical equipment, petroleum and radio-television lead in research. Mr. Cartwright notes the auto industry plans the greatest increase in this from 1955 to 1959; that 11% of all 1959 sales will be new products; and expects those spending more research dollars will have greatest sales increase. Offers investors a guide to appraise possible results of individual firm's research expenditures, and cites McGraw-Hill, Armour Research and other data regarding increased research budget expectations.

It is probably possible to prove that industrial research and development in some degree has existed from the beginning of time. Otherwise, all of us might be living in the primitive condition of our prehistoric forebears. The reasoning power of mankind, impelled by the force of necessity, by ambition and sometimes by pure accident has in all ages discovered new products useful to many peoples. Collaterally, the spreading use of these discoveries dictated the development of better and quicker methods of making them.

E. O. Cartwright

History records the early Greek, Egyptian and Roman contributions to art, science and manufacture. Mexico, far removed from outside influences, flourished an early civilization with arts, sciences, products and a culture that amazed foreigners who first beheld them. Today, the world preserves as priceless treasures those surviving evidences of economic and cultural progress in bygone eras that heedless destruction and the erosion of time have left to us.

The Roman poet, Ovid, aptly described the credo of industrial research and development when he said, "Nothing remains fixed; all things are in constant flux and even shadows are seen to move." Change is the common denominator of all progress and, fortunately for the world we know, its peoples accommodate themselves to advancing science and art to make a better and more abundant way of life. In the process, greater profits accrue to those peoples whose forms of government foster and encourage free private enterprise. It is not enough that governments and those who happen to be in power prosper alone; prosperity must belong also to the individual citizen. Among the numerous spectacular governmental ideologies — few of which were ever intended to truly benefit the common man—none has offered the opportunities inherent in a government "of the people, by the people and for the people." In that atmosphere, free private enterprise makes available the products of men's minds and hands, of factories and machines and of the fruitful abundance of the soil, while at the same time providing gainful employment whereby all its people may enjoy rising standards of living. It is elementary, of course, that there never was an investor class until individuals prospered enough to produce more than they consumed.

*An address by Mr. Cartwright before the Instituto Tecnologico de Monterrey, Monterrey, N. L. Mexico, Oct. 26, 1956.

Little Research 30 Years Ago

Thirty years ago, a speech on "The Investor Looks at Research and Development Budgets" would have been almost meaningless. At that time, there were precious few research programs, and the investor could identify even fewer research budgets in financial reports published by corporations which were actually conducting research. Although always keenly aware of the profit-power of new and useful products, neither industry nor investors had become attuned to the concept that technological progress is a potent economic force.

In the prosperity of the late 1920's, too many of our investors became speculators, i.e., they were more interested in the immediate profits from the purchase and sale of securities than in the fundamental progress of the enterprises in which they owned equities. The reaction from the excesses of that era was the depression of the 1930's, which brought about a constructive revision of investment policies and an overhauling of the investment machinery of the United States. The speculator is by no means extinct; in fact, he performs a traditionally vital economic service, both in the day-to-day dealings in securities and in providing capital for new and untried businesses. He is, however, greatly outnumbered by the investor, both individual and institutional, who seeks growing power, higher dividends and moderate appreciation in the value of his investments over a longer period of time.

Three major factors contributed substantially to this change in the character of the investor:

(1) The Federal Securities Act of 1933 regulating the issuance of corporation securities, and the Securities Exchange Act of 1934 regulating the operation of stock exchanges. Both Acts are administered by the Securities and Exchange Commission under rules which have substantially increased investor confidence.

(2) The tax structure of the Federal Government penalizes short-term profits, i.e., profits realized in six months or less, at rates up to 91%, whereas long-term profits, i.e., profits realized in more than six months, are taxed at a maximum rate of 25%. Obviously, investors prefer to retain investments for long-term profits.

(3) The securities industry inaugurated in the late 1930's, and has since maintained, nationwide educational programs calculated to place securities investment in its proper perspective and to help investors understand the nature and power of our economic system.

These factors have produced most constructive results; in fact, our investors are more economically mature today than ever before. We have discovered that with knowledge of business comes understanding and participation to the extent that the 1956 Shareowners Census of the New York Stock Exchange shows that some 10,000,000 people are *direct* owners of securities in our business corporations. Moreover, another estimated 100,000,000 are *indirect* shareowners through their savings in life insurance companies, pension funds, profit-sharing plans, mutual savings banks and other institutions that invest part of their funds in corporation securities.

Of more importance to our subject, however, is the security owner's growing recognition of the immense contribution which research and product development can make to the well-being of the corporation and, hence, to the value of his investment. I refer to the research, whether conducted by government, by universities and foundations, or by industry, which has led to the development of numerous new and better products we enjoy today.

Influence of World War II Research

The tortoise-slow pace of research in our early history was not calculated to inspire in investors an appreciation of its potentialities. For example, it is said that when Benjamin Franklin and his son conducted their famous electrical experiments with kites, the study of electricity was already 150 years old; yet, it was another 150 years before electric power came into general use.

Johns Hopkins University, founded in 1876, was the first to recognize graduate research as a major function. Among industries, the General Electric Company is credited as the first to organize research as a separate activity with the founding of a laboratory in 1900. In 1915, it is estimated that only 100 industrial research laboratories existed in the United States. The renowned prosperous year of 1929 saw only $160,000,000 spent on research. Preparation for war, in addition to gradual growth, ran expenditures in 1940 up to $345,000,000.

While the investor's initial grasp of the possibilities of research was evidenced by an early concentrated interest in the radio, chemical, electrical and aircraft industries, the new frontier of research first broke fullblown upon him during World War II. He learned that by the end of the war $1,300,000,000 per year was being spent. He learned that teamwork among scientists compelled by the necessity of our nation's survival, conquered in months problems hitherto considered almost insolvable except by years of effort.

Within the war years, the snail-pace of research was literally jet-propelled into what amounted to supersonic speed. Compare the slow progress in electricity with that of nuclear physics! Since the first atomic reactor was built in 1942, so many models were designed that some became obsolete before they could be constructed. Today, more than 3,500 research laboratories are operated in the United States.

Transistor's Development

As an investor and investment banker, I am somewhat intimately familiar with the development of one product of electronic research — the "transistor." It has been pure industrial drama to watch this tiny instrument start a revolution in the electronics field by improving old products and enabling creation of new products for both civilian and defense use. Imagine if you will, a great new industry requiring millions of dollars in plants and equipment and employing thousands of people for the sole purpose of manufacturing a single, tiny electronic device.

Prior to World War II, Texas Instruments, Inc., in Dallas, Texas, was engaged in geophysical services. Its engineers and scientists were sequestered for the duration in the manufacture of certain highly technical war-required instruments. It was wartime research that enabled the company to manufacture the germanium transistor quite early under Bell Laboratory patents. Subsequently, the company was the first to develop and produce the silicon transistor, somewhat to the amazement of the electronics industry. Together with other semi-conductors and instruments, sales have mounted so rapidly that plants have been expanded time and again. Now the company is erecting a giant new plant near Dallas, and in addition has plants in Houston and California.

Other Examples

Another superb example of almost magical corporate growth due to successful research programs is the Minnesota Mining and Manufacturing Co. In a few years, the 3-M Company has grown from a producer of a single product—sandpaper—to the producer of more than 1,000 products.

President Crawford H. Greenwalt of E. I. du Pont noted that: "Our growth has been overwhelmingly the result of internal development through research." About 27% of du Pont's 1955 sales of almost $2 billion resulted from additions to the du Pont line in the postwar period.

The spectacular effect of a single product developed in the research laboratory is furnished by Schering Corp. In February 1955 Schering introduced the anti-arthritic drug named Meticorten. Primarily because of the enthusiastic reception given Meticorten, Schering's sales more than doubled in 1955 and earnings increased five-fold.

Another case in point is the Polaroid Corp.'s Land Camera, introduced in 1948. This camera produced finished pictures within a minute or so. So great has been its success that Polaroid's sales have increased 15 times and losses were converted into profits.

In all of these companies, investors have been generously rewarded by increased values in their securities. Each is an instance of recent development due to research. Looking back over the 20th century, even greater rewards are found among companies partial to research.

International Business Machines has a long record of research and its products command world-wide usage. One thousand dollars invested in IBM stock in 1921 would be worth about $275,000 today.

The same amount invested in E. I. du Pont stock in 1925 would have a value of about $50,000 on today's market.

Monsanto Chemical has been a research leader with such success that $1,000 invested in its stock in 1930 would be worth about $30,000 as of now.

The old investment favorite, General Motors, has recently established one of the world's greatest research centers. One thousand dollars invested in GM in 1923 would show a profit of about $31,000.

Investors in General Electric, a recognized leader in electrical research, since 1900 had the opportunity to gain values of 8,830% on their original cost.

Eastman Kodak's stock shows capital gains of 8,973% since the turn of the century.

It may appear unusual that research in another area—that of merchandising — enabled Sears, Roebuck & Co. to show a gain of 15,854% since 1900. Less progressive merchandisers cannot approach this fugre.

Survey of 400 Firms

To cast some light on the current research activities of American industry, my firm has recently completed a survey of about 400 corporations. Each was asked:

(1) "In the 1955 fiscal year, how much did you spend for research and development excluding Government-sponsored contracts and including Government-sponsored contracts?"

(2) "What percentage of sales did each of these figures represent?"

Because of long-standing policy, some corporations would not supply these figures even on a confidential basis. Others were unable to do so because of the classified nature of some of their Government contracts. A few told us they had no idea what was spent for research. On the whole, however, the response was most gratifying and the results, I believe, most interesting. Obviously, the question of semantics becomes involved in the compilation of results as no two corporations are likely to define research and development in the same terms or to report figures on the same basis. To compensate for the variations and to protect the identity of those corporations which did provide the data on a confidential basis, the results are presented by industry groups.

The figures in this table are grouped in five columns. The column to the far left indicates the number of companies in each industry which replied to our survey. The next column, which shows the aggregate sales of these companies, will give you some idea of the size of the corporations reporting. The middle column lists the research and development expenditures of the corporations. In the next column these expenditures are expressed as a per cent of sales. And, finally, the column to the far right indicates the percentage of research and development financed by the Government. This figure has been rounded to the nearest 5%.

Research Leaders

A few comments on some of these statistics are perhaps in or-

TABLE I

Corporate Expenditures for Research and Development — 1955

	No. Companies Reporting	Sales (Millions of Dollars)	Research Expenditures (Millions of Dollars)	Research as a % of Sales	% Research Government Financed
Agricultural Mach.	3	$1,764	$49.3	2.8%	Negligible
Aircraft & Parts	14	3,522	185.7	5.3%	75%
Automobile Accessories	15	2,585	27.4	1.1%	10%
Building Supplies	9	1,663	16.8	1.0%	5%
Chemical	14	5,934	185.7	3.1%	Negligible
Drugs—Ethical	8	624	28.9	4.6%	Negligible
Drugs—Proprietary	4	363	11.7	3.2%	Negligible
Electrical Equip.	13	2,402	168.5	7.0%	40%
Food	14	6,289	30.3	0.5%	5%
Household Equip.	5	252	5.6	2.2%	Negligible
Machinery	7	940	26.5	2.5%	30%
Office Equipment	5	1,060	28.4	2.7%	Negligible
Petroleum	14	19,148	137.9	0.7%	Negligible
Radio-Television	5	921	58.8	6.4%	55%
Railroad Equip.	7	975	24.7	2.5%	45%
Tobacco	5	1,735	3.1	0.2%	Negligible
Transportation	8	1,760	4.3	0.2%	Negligible
Other Manufacturing	31	7,448	90.4	1.2%	Negligible
Total	181	$59,385	$1,084.0	1.8%	25%

der. Our survey, as did the survey of the National Science Foundation, indicated that the aircraft, chemical, electrical equipment, petroleum and radio-television industries are the leaders in research. All of the companies in these industries which reported to us spent something on research. Except for the petroleum companies, all of these industries also spent a larger part of their sales dollar on research than did other manufacturing industries. All of the aircraft, electrical equipment, and radio-television companies held some Government-financed research contracts. In a number of cases these contracts accounted for the great bulk of research expenditures; in others they amounted to a very small part of the total. The figures for the drug industry do not bulk large in our totals but they do indicate the importance which this industry attributes to research. Two ethical drug firms reported that company-financed research amounted to more than 6% of sales.

On the other hand, the research expenditures of some of the less dynamic industries, such as food, beverage, tobacco, textile and motion picture were small in absolute amount and as a per cent of revenues. So were the expenditures of the transportation industry, whose research is conducted largely by the equipment manufacturers. Our transportation statistics, incidentally, include both railroads and airlines.

As for the total figures, you will note that the research expenditures of all the companies answering our survey amounted to 1.8% of sales. This is very close to other estimates. You will also note that about 75% of research expenditures were financed by the companies themselves, and 25% by the Government. The survey of the National Science Foundation concluded that about one-third of industrial research was Government-financed. Finally, I think it very interesting to note that while the number of companies included in our survey is quite small, amounting to only about 5% of the domestic corporations which maintain research laboratories, their research expenditures amount to more than 20% of the national total. This suggests that a relatively few large corporations, such as those which replied to our survey, conduct the bulk of industrial research.

Mexican Research Programs

I am not, of course, as familiar with the research programs of the Mexican Government and industry. It is evident, however, that efforts are increasing as are ours. I understand that the Office of Industrial Research of the Banco de Mexico has since its creation in 1941 made important contributions to the solution of industrial problems. The Mexican Institute of Technological Research, established by the Banco de Mexico, is devoted primarily to the development of the nation's natural resources by scientific means. Moreover, Mexico's natural resources are being more fully investigated by other organizations and important strides in mining techniques have been made. Within the past few months, I have noted reports that both Compania Impulsara de Empresas Electricas, a subsidiary of American & Foreign Power, and the Mexican Light & Power Co. are studying the feasibility of constructing atomic power plants in Mexico. It seems certain that this new source of energy will play an important role in satisfying the surging electrical requirements of the expanding Mexican economy.

I was much impressed to learn that the Monterrey Institute of Technology is financed by Mexican industry and businessmen. Private enterprise must always lead the way in science; it is the only road to continuous progress in all history. The establishment of the Institute of Industrial Research, in which the Southwest Research Institute of San Antonio, Texas — headed by our mutual friend Dr. Harold Vagtborg—collaborated with the Monterrey Institute, forecasts in Mexico a fine independent research institution of great value. Moreover, it is an illustration of how our nations can join hands in furthering both societies.

It is interesting to observe Mexico's encouragement of industrial growth through tax exemptions for new or necessary industries, tariff protection, favorable monetary and credit policies and in some cases subsidies in extremely low prices for petroleum products. The Banco de Comercio reported a dramatic rise in manufacturing production volume from an index of 43.7 in 1918 to 341 in 1955, and an increase of 10.8% in 1955 over 1954. Generation of electricity was up 11.5% in 1955 over 1954. The Mexican gross national product in real value increased 7.7% in 1954 and a healthy 9.9% in 1955.

Capital formation in an agricultural economy is usually somewhat slow. The encouragement being given to industry and its resultant profits creates wealth and employment. With these comes an increasing investor class, not just among the rich, but among all groups. In their turn, the savings of all classes can be gathered into great capital aggregations for use by industries. In this direction lies more rapid capital formation.

Relates Research and Profits

Even with the evidences I have cited of the value of research and development in numerous fields it cannot be conclusively proved to be the complete answer to profits. The investor can point to quite as many companies whose securities have performed equally well and in some cases, even better, with little or no research. It is certain, however, that in some industries failure to conduct adequate successful research does exert unfavorable consequences. Some years ago, the president of one of our leading chemical companies acknowledged that his company had failed to grow as rapidly as his competitors because of lack of research and development. To the credit of his administration, however, this company sharply increased its research budget and as a result of product development has regained its position in the growing chemical industry.

In every industry, however, the investor is constantly looking for new products that will prove profitable to security owners in the Wonderful World of Tomorrow. He is aware of the limitless unexplored regions in every area of science and research; that research is "an immense thing that is changing the face of the earth." He is, of course unable to say where the greatest success lies, but he knows that research budgets have rapidly increased and the evidence is that yesterday's expenditures will produce tomorrow's products and tomorrow's profits.

After World War II, U. S. industry more than offset the decline of $220,000,000 in governmental research by increasing its budgets by $410,000,000. Since then, both governmental and industrial research budgets have progressively increased. The National Science Foundation survey shows that Industry's research and development expenditures in 1953 were $3,700,000,000. A survey by the McGraw-Hill Department of Economics calculates 1955 expenditures at $4,800,000,000, an increase of 29%, and projects an estimate for 1956 of $5.5 billion. Looking to 1959, McGraw-Hill expects these costs to be $6.3 billion.

Other Manufacturers

Investors note that the largest 1955 expenditures were in chemicals, aircraft manufacturing and the machinery group, the oil industry, fabricated metal products and the instrument companies. However, one may do well to investigate the prospects of those companies classified as "Other Manufacturing." This group, including primary metals, non-electrical machinery and the automobile industry, were not among the largest 1955 spenders, but do plan the greatest increase in research from 1955 to 1959. McGraw-Hill notes the general implication is that: "The increasing volume of research — particularly in industries that until recently did very little of it—means a continuing flood of new product developments and high capital expenditures to take advantage of these developments."

New products represent a key factor in increasing sales and profits. The McGraw-Hill survey found that plans for sales indicated an increase of 24% in all manufacturing by 1959. Of substantial importance was the estimate that 11% of 1959 sales will be *new* products. Again, the investor notes that the greatest increase in sales is expected in those industries spending most on research and development—machinery, electrical machinery, transportation equipment (including aircraft) and chemicals.

Before industry can produce tomorrow's products, it must build tomorrow's plants. There has been a traditional correlation between industry's expenditures for new plants and its reasearch budgets, the former exceeding the latter by a factor of about ten in any given year. My firm has attempted to establish a constant factor by which research expenditures could be multiplied to arrive at capital expenditures, sales and profits in some future year. Other attempts have also been made to do just this. Minnesota Mining and Manufacturing has calculated that every dollar spent on research eventually yields $25 in sales. Put another way, Monsanto Chemical has found that for every dollar spent on research it must eventually spend $6 for plants to make the products discovered or improved by research.

How Should Investor Judge Research Outlays?

At best, however, the statistical correlation between research budgets and capital expenditures, sales and profits is most tenuous in individual companies The host of economic and political factors which affect sales and earnings militate against a simple statistical approach. Moreover, figures on research spending measure the quantity but not the quality of work. Surveying the fact that a great majority of research projects never pay for themselves, the investor cannot regard the mere fact that a corporation pursues research as a guarantee of its growth or survival. I am not aware of any successful attempt, including our own, to establish a helpful statistical correlation.

If this is true, what guides are left to the investor to help him determine the prospective success of his corporation's research activities? There are, I believe, several questions, which if answered in the affirmative, may lead him to an intelligent appraisal of the corporation's prospects.

(1) Has the corporation traditionally been a leader in research and have its efforts in the past been successful?

(2) Do the company's current research expenditures compare favorably with those of others in the industry?

(3) Is the company's research original or is it simply a form of imitation designed to enable it to keep pace with its competitors?

(4) Will the products or processes under development offer a high profit margin or find a mass market?

(5) Is research, whether it is aimed at developing new products or improving old ones, conducted in a field in which the company has production experience and marketing facilities?

(6) Is the financial position of the corporation strong enough and its earning power stable enough to enable it to pursue its program through good times and bad and to tackle those problems of basic research which may make the greatest contribution to the corporation's long-term growth?

Obviously, the answers to all these questions are not readily available. It is for this reason that leading investment houses maintain their own research departments whose function it is to investigate every facet of a corporation's activities which bear upon its investment merits.

What Investment Firm Can Do

Our security analysts discuss research with management. They may even go directly to the corporation's laboratory to talk with the scientists themselves. Our analysts examine stacks of scientific literature and attend a variety of technical meetings. Our firm also enlists outside experts. At the moment, for example, we have the services of two ranking authorities on atomic energy. In addition, our firm is a member of the Industrial Liaison program at the Massachusetts Institute of Technology. These services enable our analysts to keep a little ahead of important developments and to place them in a proper perspective once they are known.

In essence, then, we are acting as a liaison between the corporation and its stockholders or potential stockholders. We seek to channel our clients' funds into those enterprises which are alert to and capable of capitalizing on the promises of the future. At the same time, we attempt to enable our clients to avoid the losses which must accrue from failure to recognize that nothing is so constant as change.

Science Manpower Shortage

In concluding, I should like to state a few words about the future. The trend in corporate research expenditures is continuing upward. Our own analysts, when asking corporations about their research programs, are almost invariably told that budgets are being increased. Dr. Harold A. Leedy of the Armour Research Institute has predicted that annual expenditures by Government and Industry for research and development can be expected to increase by at least 50% in the next ten years.

Only the acute shortage of scientific minds, particularly really creative minds, seems to be a limiting factor. The growing economies of both the United States and Mexico call for far more scientists and engineers than are now graduating. President Eisenhower has already appointed a National Committee for the Development of Scientists and Engineers to "foster the development of more qualified technological manpower." Industry must also give serious attention to this problem. Increasing industrial grants to universities are an encouraging trend. The loaning of industrial talent to high schools where scientific interest must first be born would be even more reassuring were it more common. In any event, this shortage of scientific minds must be ended. If the problem can be solved and if the extraordinary standard of living which we enjoy today is the fruit of research conducted yesterday, I can only predict the achievement tomorrow of new standards of prosperity for both our nations.

Cruttenden, Podesta Group Offers Watson Bros. Class A Stock

An underwriting group headed by Cruttenden, Podesta & Co. yesterday (Nov. 21) offered to the public 619,776 shares of Watson Bros. Transportation Co., Inc. class A $1 par common stock at $7.50 per share.

The offering, which includes all of the class A common stock of the company presently outstanding, is being made on behalf of selling stockholders and none of the proceeds will accrue to the company.

Watson Bros. ranks as one of the seven largest common carrier truck lines in the United States, covering more than 53,000 miles of routes running in general from Chicago and St. Louis to the West Coast. At present Watson Bros. serves over 3,000 municipalities in 12 states. This company is the corporate successor of a business started in 1926. It has grown from a one truck operation in Nebraska to an enterprise with over 2,500 employees, 2,500 pieces of rolling equipment, and gross revenues at the rate of $30,000,000 annually.

In 1954, Watson Bros. organized Imperial Casualty & Indemnity Co., as a wholly owned subsidiary. Imperial operates as a multiple line underwriter chartered to write all forms of insurance coverage except life and title lines. Now owned 80% by Watson, Imperial is qualified to write both casualty and fire coverage in Nebraska, Iowa, Minnesota, South Dakota, and Montana, and casualty coverage in Illinois.

Consolidated earnings of Watson Bros. and its subsidiary were $886,921 in the eight months ended Aug. 31, 1956, equal to $1.43 per share on the 619,776 shares of class A common stock outstanding.

Associated in the underwriting are: The First Trust Co., of Lincoln, Neb.; Wachob-Bender Corp.; Reynolds & Co., Inc.; Hooker & Fay; George D. B. Bonbright & Co.; Bache & Co.; Dempsey-Tegeler & Co.; Lester, Ryons & Co.; First Securities Corp., Durham, N. C.; and Smith, Hague, Noble & Co.

Joins Anderson Cook

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla. — Vincent Cioffi has become associated with Anderson Cook Co., Inc., 308 South County Road. He was formerly with Frank D. Newman & Co. and Gordon Graves & Co., Inc. In the past he was an officer of G. F. Rothschild Co., Inc. of New York City.

Bieder Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—James I. Grace has been added to the staff of Bieder & Co., 3006 Central Avenue.

Joins R. F. Campeau

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Robert J. Loebl is with R. F. Campeau & Co., 110 Second Avenue.

Now With Curtis Merkel

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Birney A. West, Jr., has joined the staff of Curtis Merkel Co., Inc., 601 First Avenue, North.

Elick Lowitz

Elick Lowitz, head of E. Lowitz & Co., New York City, passed away at the age of 90. Mr. Lowitz had been the oldest active member of the New York Stock Exchange.

Continued from page 3

Inflation as a Way of Life

back through the entire 54 years of U. S. Steel's existence we find that this nine-cent profit last year was not the second best, nor the third, nor the fourth—but merely the 26th best in our history.

So there is a quick look at what inflation has done—and is doing—to our business. It has not only wiped out the benefits of all of the technological progress which has occurred in our plants and our mills, but it has cut our profit margins far below the levels which prevailed in the earlier years of our corporate life.

But that, of course, is only a part of the story; for while inflation has been shrinking our profit margin on the one hand, it has been generating the need for a substantial increase in profits on the other. And to understand fully this upward inflationary pressure on our profit needs, you have only to look at the perplexing problem of depreciation.

Depreciation, of course, is a two-dollar word that frightens a lot of your readers; but all it really means is "How do we get seed back?

Long ago, our forefathers learned that the first thing they had to do to keep their farms running was to get back the seed for their next year's crop. And no matter how hungry they might get, they were out of business—and out of luck—if they ate up their seed corn.

And that's exactly how it is in any industrial enterprise today. Our seed, in the steel business, consists of our plants and furnaces and mills and machines—and all of the other things that we call capital equipment.

Now all of these machines and facilities wear out a little each day —or in other words, they depreciate. And unless we can put aside enough money during the lifetime of these facilities to replace them when they are no longer usable, we, too, are out of business, and out of luck.

What Tax Laws Provide

So the Federal tax laws recognize—in theory at least—that the businessman, like the farmer, must be able to get his seed back. And if we buy a machine that will last for 25 years, and if that machine costs us $25 million, the tax laws say that the machine "depreciates" at the rate of a million dollars a year; and we are entitled to include this million dollars in the total cost of doing business in that year.

Thus at the end of 25 years, when the machine wears out, we have theoretically recovered the 25 million that we paid for it. And theoretically that will pay for a new machine to replace the old one. But will it, really? Well, not by a long shot!

Actually the cost of the equipment we buy for our steel mills has been rising at the rate of almost 8% each year during the past 10 years; and if that rate of inflation were to continue over the entire life of the machine I have been talking about, it would cost us—not 25 million—but more than 158 million to replace it.

Let me give you a concrete example which I described to our stockholders earlier this year. Twenty-five years ago we built an open hearth plant at a cost of $10,000,000; and during those years we recovered—through this process of depreciation—the $10,000,000 we spent for it. But to replace that open hearth plant today would cost us $64,000,000. Now where do we get the other $54 million?

The answer, of course, is that we must get it out of our so-called profits — our profits after taxes. But in order to get $54 million in profits after taxes we had to earn $112½ million before taxes.

Taxing "Phantom Profits"

Now the Government says that this $112½ million is profit—and they tax it as a profit. But it isn't a profit at all. It is our seed corn. It does not go to our stockholders, or to our workers, or to expanded production for our customers, or to make new jobs. It does not change a thing. It does not finance progress. It is merely the cost of standing still. It goes into the fight to keep from slipping back. It is what I call a "phantom profit" and it is equivalent to more than one-seventh of all the profits that we made last year.

That's a high price to pay for not going anywhere — especially when you remember that this beat-up open hearth shop was only one among many facilities which we must replace in the course of a year.

And here again, of course, the situation that I have described is not unique to the steel industry. In greater or lesser degree, this problem of phantom profits has plagued every industry in America during these years of inflation. But its effects have been especially devastating in the steel industry and in certain other industries where the average life of our facilities is very long — 25 years or more — and where the difference between original cost and replacement cost is therefore much greater than it would be if our facilities had a shorter life of, say, ten years or so.

So the steel industry has been one of the principal victims of inflation since the beginning of World War II; and I must tell you frankly that we could never have met this serious depreciation problem and still kept our prices down at their present levels had it not been for two things:

Two Assists

First is the happy fact that the new facilities which we install are usually more productive than the old ones they replace, and so to some extent, at least, this automatic increase in productivity helps us to compensate for a part of our inflated replacement costs.

And second, is the fact that under the wartime, emergency legislation enacted by Congress, we—like many other companies in other industries — have been able to recover the cost of a part of some new facilities over a period of five years instead of the usual 25. But the effect of this "Rapid Amortization" — as it is called—is only temporary and will disappear almost completely in our case by the end of 1958. And when that happens our present profits levels would not enable us even to get our seed back—to replace our worn-out equipment—let alone to help to finance the expansion of our steelmaking capacity in accordance with national needs.

So here, on the books, we find a clear and understandable case history of the irresistible upward pressure that inflation has exerted and will continue to exert — on steel prices.

On the other hand, many people seem to believe that rising steel prices have contributed importantly to the march of inflation. They also seem to entertain the notion of a Procrustean bed of steel on which our prices are lengthened or shortened at the whim of the steelmakers. And if I do nothing else today, I would like to dispel that notion once and for all!

As one of the principal victims of inflation, we in the steel industry, have been deeply concerned about the causes of it, and we have tried to resist its advance at every step of the way. And I think our record proves it.

During World War II, we were practically a captive industry in solitary confinement. We had a rising wage floor under our feet and a price ceiling over our heads and we were boxed in with walls of restrictions and controls. By 1945 our prices had risen only 3% since 1940; yet wholesale prices, generally, had gone up 35% and employment costs had risen 46%.

When the war ended, and we were released from our strait jacket, we had to start to catch up, pricewise; but we knew that inflation had always abated at the end of every war in America's history, and we hoped and expected that it would do so again. But it didn't. Wages and prices kept spiralling upward on all sides of us; and by the spring of 1948 we began to be deeply concerned about it.

Denies Steel Sets the Pattern

Our good and thoughtful friends who write the editorials for the nation's newspapers, kept telling us that we were the ones who set the wage pattern for all industry, and that when we raised the price of steel, the price of everything else went up automatically. "As steel goes," they said, "so goes inflation." And we read it so often that we began to think there might be something to it. So we decided to do something about it; and in that particular year we had a unique opportunity that we have never had again.

Under the terms of our contract with the union, our workers could seek a wage increase, but they could not strike to obtain it. So when they demanded a raise to cover the rising cost of living, we determined that instead of granting their demands we would reduce the price of steel by an average of $1.25 per ton. In doing this, however, we made it plain that if the cost of living kept going up — if prices and wages kept moving forward on a board front elsewhere—we would have to rescind our price cut and grant a cost of living wage increase in fairness to our employees.

Now let me remind you that at this time steel prices were already lagging far behind other prices generally. From 1940 to May 1948, they had advanced only 40%; while the price index of all commodities had gone up two and a half times as much, food products three and a half times as much and farm products more than four times as much.

So what happened? Other unions demanded another big round of wage increases. Other companies, in other industries, granted them. Then they boosted their prices further in order to pay for them. And there we stood, like King Canute, commanding the tide to turn back, and pretending not to notice how wet our feet were getting. So eventually we had to rescind our price cut, increase the pay of our employees, and raise our prices enough to keep our head above the swelling tide we had tried to resist.

Rising Prices Are Result

But from this we learned a few truths that some of our editorial friends still seem to overlook. One is that no one union, no one company, and no one industry can stop the march of inflation. We also learned that neither the steel industry, nor any single industry, ever sets the wage pattern in America. Every new wage agreement that is signed in any major industry immediately becomes the floor upon which the next union pyramids its demands for a still higher wage. And we learned that rising steel prices do not cause inflation—they are the result of inflation.

Yet despite this discouraging lesson, we have continued steadfastly to resist the pressures of inflation to the limits of our ability. As I have already shown you, we have not raised our prices enough to cover the increase in our costs these past 15 years. And while the weight of inflation falls more heavily on the steel industry than on many others, it was only last year that the index of steel prices caught up with the front-running index of wholesale prices.

And this year, we have made another concerted effort to retard the rate of inflation in our industry. We knew of course—as you do—that from 75 to 80% of the ultimate cost of the average manufactured article represents money that has been paid to or for labor. We also knew that our hourly employment costs at U. S. Steel had risen from 96 cents in 1940 to $3.03 in 1955—or at a rate of 8%, compounded annually, each year since 1940. Meanwhile, actual productivity in our plants had increased at an average rate of only 2% annually. And when I speak of productivity, I am not referring to output per man hour, alone; but am also including—as we properly must—the cost of improved machines and materials.

So here was a gap of 6% that had to be spanned each year by higher prices or by reduced profits. In other words, three-quarters of every wage increase we have voluntarily—or under pressure—granted over the past 15 years had been "unearned" in the sense that it could not be met out of increased productivity even if the entire benefit of that increased productivity went to our employees.

Reviews Aims and Newspaper Stands

And again, we tried to do something about it. When the bargaining began last May, the union demanded increased wages and benefits that would have boosted our hourly employment cost—not by the usual 8%—but by nearly 25%. We proposed a five-year, no strike, contract in which the union's major demands would be spread out over the entire five-year period. This would have represented an annual increase of about 4% in our employment cost, instead of eight, and by narrowing substantially the gap between payroll costs and productivity, it would have minimized the necessity for further price increases during the life of the contract . . . provided, of course, that a sharp rise in the cost of living did not boost our costs to their former level under the terms of the escalator clause which was included in the offer.

And here we received heartening support from our editorial friends. Public opinion, as reflected in their writings, said: "Stand against inflation. We cannot bear another twist in the wage-price spiral. Be firm with the steelworkers. This has to end somewhere."

Well, we tried to oblige. Within the broad limits of our original offer we tried switching various benefits around in the hope of reaching an agreement with the union, but when the deadline arrived we were still miles apart. So the union called the strike and there we were.

Almost at once the mood of our kindly editorial advisers changed radically. "Settle this strike" they commanded. "It is a luxury the nation cannot afford." But out of several hundred editorials that I read during this period, I cannot recall one that suggested the terms on which the strike had a chance to be settled. With a few exceptions, none of our friends dug down into the issues to determine whether the companies had offered too little, or the unions had demanded too much. With fine impartiality they divided the blame in equal portions, and called forth a plague on both our houses, and the pressure on both sides began to mount enormously.

"Settle it," they said. And settle it we did—not on the terms we had sought—but on terms which nevertheless, provide new ground for hope. Under this contract, our employment costs will rise by an average of 6% each year during the three-year life of the contract; although the cost-of-living clause could, of course, boost the total in the end to a level above and beyond the 8% increase we have had to meet in the past. But if the cost of living can be held in the next three years as well as it has been in the past four years, we shall have made some progress at least in abating the inflationary pressure on our prices. For we have not resigned ourselves to the prospect of inflation as a way of life.

Efforts to Hold Down Costs

So there we have it. And it is not all disheartening. Why, now and then we even get a word of appreciation for what someone thinks is a creditable job on the inflation front, or in the thankless task of labor negotiations. But we also get our share of criticism from those who still think that we somehow establish the wage pattern, and that because we are a large corporation we are willing to grant a higher wage than a smaller business can afford to pay.

Yet the fact remains that we have taken five nation-wide strikes in the past 11 years, primarily in an attempt to hold down the costs of production, and to minimize price rises. And in the end we have had to settle those strikes because, as you realize, our national welfare will not permit a steel strike to go on indefinitely.

It seems remotely possible to me, moreover, that in view of the great financial resources that the modern labor union commands in support of any strike that it calls, there may be some advantage in having a big business or two handy to help do the negotiating—and to help suffer the consequences.

And so we come back to the point I sought to make in the beginning. We both have the same problems, you and I. It doesn't matter whether we are a large or small company—whether we live in a big community or a little one. We face the same common enemy—inflation.

Now what can we do about it?

Well, there are several things that would help enormously to relieve this pressure on prices.

What Congress Should Do

For one thing it is time that Congress should recognize the urgent need for a more realistic treatment of depreciation under the tax laws, so that business can treat as costs those things which are costs; while Government treats as profits those things were are profits. Realization of the fact that inflation has utterly destroyed the original intent and purpose of these depreciation provisions has already prompted France, England, and Canada to adopt forward-looking legislation in this field.

Pending Congressional action on this point, inflationary price pressures will be alleviated in many heavy industries by the further issuance of certificates of necessity under the Rapid Amortization law.

But most important of all, I think, is the task of bringing into every American home, a true realization of the fact that what I have referred to here as "unearned" wage increases serve only to fan the flames of inflation and can benefit no one in the end.

We shall get out of our inflation difficulty only as each one of us understands the nature of the problem and the means of attacking it.

My personal view is that the best hope of achieving that understanding and of organizing the attack lies with the American free press. Each member of that free press has the financial problem in his own business as well as the rest of us do. But the free press also has one great advantage. It reaches into the highways and byways of America as does nothing else. And that goes especially for you gentlemen who are here today.

Isn't our common story of the consequences of inflation as a way of life worth telling?

I hope that you think so. And I hope you will tell it. For where inflation is a way of life, it's a short life and a none-to-merry one!

Donald Woodward on Eisenhower Staff

Donald B. Woodward, a Director of Group Securities, Inc., leading mutual fund, has been appointed Deputy Executive Director and Staff Director of The President's Citizen Advisers On The Mutual Security Program.

Donald B. Woodward

Mr. Woodward, who is on leave of absence from his position as Chairman of the Finance Committee of The Vick Chemical Company, has previously served as consultant to the State Department, the Treasury, Department, the Federal Reserve Board, the National Recovery Administration and the International Development Advisory Board.

Ralph G. Hubbell

Ralph G. Hubbell passed away November 18 at the age of 71. He was a former partner of Jackson & Curtis and served during World War II as chief of the American Red Cross mission in Russia.

Continued from first page

Enduring and Non-Enduring Factors in 1957 Outlook

the Right as well as of the Left. Under the Employment Act of 1946 both are committed to the maintenance of maximum production, employment, and purchasing power and, I believe, to the avoidance of price inflation.

The election was an overwhelming personal victory for President Eisenhower as a national leader in a troubled world, rather than a clear popular endorsement of Republican economic policies. "Modern Republicanism" — to use the President's phrase — continues to face plenty of opposition in Congress.

Nevertheless, I am sure that a dispassionate observer of our nation's recent history would conclude that the return of the Eisenhower Administration to power for another four years makes two conditions more probable: **First,** it is more probable that the strong underlying current of business confidence in the future, which has kept the U. S. Economy on a fairly even course of growth and development since 1952, will be maintained. **Secondly,** the likelihood is greater that strong efforts will be continued through fiscal and monetary management and other means to prevent price inflation from recurring as well as to forestall serious business setbacks. Yet, no political party, no administration, can guarantee the course of a free economy in the short run. There is plenty of smog left in my crystal ball!

What I shall say regarding the economic prospect for 1957 is predicated upon the assumption that the U. S. will not become involved in war. While I believe this is a plausible assumption, the ominous trend of events in Central Europe and the Middle East cannot be ignored. It should remind us to maintain a highly flexible attitude of mind toward all economic forecasts.

It is helpful in assessing the prospects for 1957 to step back for a moment, and to get a perspective on the recent performance and current status of the United States economy.

Economy's Recent Performance

Assuming that rate of gross national production continues to expand in the final quarter of 1956 by the same amount—about $6 billion—as it has risen during each of the first three quarters, the current year as a whole will mark up a GNP figure of about $410 billion. This would mean a gain of nearly $20 billion, or more than 5%, over the $391 billion of GNP realized during 1955. However, the index of consumers' prices will also have risen at least 1½% during 1956. Hence, the *real* or physical gain in the total output of goods and services in the United States will probably turn out to be around 3½% during the current year—a gratifying performance indeed. At least reading, unemployment stood at a remarkably low 2.9% of the civilian labor force, denoting a very tight labor market.

It is now certain that, taken as a whole, 1956 will produce another set of new high records of employment, production, real personal income, and living standards for the American people. It will be the third successive year of strong over-all expansion of the U. S. economy, an expansion that commenced with the upturn in 1954 from the short setback of late 1953. The salient question now is: Will our economy have a fourth straight year of strong economic growth? Or will the familiar business cycle of the past reappear, and cause 1957 to be a year of leveling off or even of decline in general business activity?

In seeking to answer this question, I suggest that we try to assess the strength of two sets of forces which will shape the performance of the American economy during the coming year: First, there are basic long-term forces which have come into existence during the past 15 years of wartime and postwar change and which will have persistent and enduring effects upon the performance of our economy. Secondly, there will be in operation during 1957 a number of short-term forces of a transient character which will influence the expenditures of consumers, business enterprises, and governmental bodies. Let us evaluate each of these sets of forces in turn, and then summate our observations into a reasoned calculation of the economic prospect for 1957.

Fundamental Forces Favoring Continued Economic Growth

There is no doubt that the U. S. economy is now influenced by fundamental forces of an enduring character which strongly favor a sustained high rate of economic growth. These forces, which I have described in a book published this year under the title "Can Prosperity be Sustained," (Henry Holt and Company, New York), also make probable a more even rate of growth than Americans of middle age have been accustomed to experiencing during their lifetimes. In any assessment of the short-term economic outlook, we cannot wisely ignore the fact that basic forces continue to operate in the direction of rising money expenditure, even though short-term depressants may offset them wholly or partly for periods of a few months or a year.

First, there is the factor of rising expenditure on scientific research and development, which has so markedly accelerated the pace of technological development of our society. Such expenditures by government, business and universities amounted to less than $1 billion in 1940. Today, they are probably running at an annual rate of $5.5 billion. A more than five-fold increase in research and development activity during the past 15 years is the source of the bewildering variety of new products which are constantly tugging at the purse strings of consumers, and promoting a sustained high level of consumer demand. It is also the basis for the new processes, the new materials, and the new machines which businesses are obliged to purchase in order to maintain their competitive positions in markets. Research and development creates obsolescence on a vast scale. It destroys the values of existing plant and equipment just as surely as they would be destroyed by enemy bombs or natural catastrophes. It creates strong demands for new plant and equipment, which is likely to be maintained even through periods of temporary decline in consumer spending. We have recently witnessed a striking example of this. The automobile industry has spent $1 billion in the new mechanical developments and new styling for the 1957 models—more than it ever spent before—despite the fact that auto sales in 1956 have been down 20% under the record year 1955. Present indications are that this huge investment will pay off in larger sales during 1957.

Secondly, the wider diffusion of higher consumer incomes is expanding the dimensions of the "mass market," and is making aggregate consumer spending potentially more stable than in the past. Today, half of all American families have incomes of $4,000 or more, whereas only one-fifth had incomes of this amount in 1940, measured in dollars of today's purchasing power. Differences between family disposable incomes have narrowed strikingly, while the average has risen. Most American families have a margin of income over that needed to purchase the conventional "necessities." Hence, their horizons of wants are wider and more urgent than at an earlier time.

Third, the Federal Government has more power, more knowledge, and more experience in smoothing out the growth of the U. S. economy than in the past. Moreover, government's efforts are supported by an American public which is steadily growing in its economic literacy. Whereas government—Federal, State, and local—appropriated through taxation only about 5% of the national product in 1929, it appropriates about 25% today. While big government and high taxes are sources of concern to many of us, the other side of the coin is that big government has far more power to stabilize the rate of growth of the economy than little government. Our society has within the past generation built into the economy many more or less "automatic" stabilizers of private income and expenditures, including unemployment insurance, social security, farm price supports, and high personal and corporate income taxes.

Most important, there is a widening public understanding of the need for monetary and fiscal policies which help smooth out economic curves. The advocates of "compensatory fiscal policy" were limited to a comparatively few "egg heads" a decade or so ago. Today, the need for postponing tax reductions and building up a surplus in the Federal budget in times of full employment is now accepted by thoughtful citizens of both major political parties. In the same way, people now recognize the desirability of tax reduction and conscious development of a deficit in the Federal budget in times of business recession. In the thirties many people doubted the power of monetary and credit policies to help stabilize the economic situation. It is new generally accepted that, so long as people have underlying confidence in the business situation, monetary policy can be a powerful stimulant to production as well as a potent deterrent to price inflation. Is it not remarkable that, in the recent political campaign, neither Presidential candidate advocated lower taxes and easy money? Both realized that the American people accept high taxes and tight credit in times of high prosperity in order to avoid inflation and subsequent depression. This is a great step forward, and a good augury for the future.

Fourth, our business enterprises are being operated by managers who are better educated for their tasks, who base their decisions upon more scientific analyses of facts, and who take a longer view of the future. The result is that more and more business plans for plant and equipment expenditures are based upon long-term market considerations, and are not trimmed to temporary shifts in the winds of consumer demand. We have evidence of this during the short downturn of 1953-54, when plant and equipment spending fell only 6%. During the current year, such spending has **risen** more than 20% in the face of significant declines in sales of automobiles, TV receivers, and many home appliances. This is another basic factor tending to stabilize the growth of the U. S. economy.

Fifth, the world-wide drive to industrialization is creating larger foreign markets for U. S. business. In the 1920's and 1930's, our country tried to make headway in a world in which economic growth was sluggish or stagnant, and our own development was held back. Now, the situation has made a 180-degree turn. As a result of political, social, and technological forces unloosed by World War II, there is a powerful will to increase the production and the living standards of the average man and his family. The annual rate of increase in the gross national production of several Western European and Latin American countries has exceeded that of the United States during recent years, being 5 to 6% a year against 4% at home. These forces of economic expansion abroad—which promise to remain powerful for years to come if not interrupted by a general war—create large investment opportunities for American businesses. One of the most remarkable economic facts of 1956 is that the **net** foreign investment of the U. S., which has been negligible or negative since 1948, rose precipitantly to an annual rate of $1.7 billion during the second and third quarters of this year. There is an upward surge of investments by American business in foreign plants and subsidiaries. The chances are the rise will continue.

Sixth, economic competition with the U.S.S.R. provides a constant spur to improvement of the performance of U. S. economy. This is a new impetus to American economic growth, not apparent before World War II. Soviet economic progress in recent years has been distorted in the direction of heavy industry and military production; but it is, nevertheless, impressive in manufacturing industry, in the "cold war" of economic competition that has developed and which promises to continue for long, the U. S. must and will outstrip the Soviets in scientific discoveries, technological knowledge, production, and capacity to raise mass living standards. Thus, we shall demonstrate to the world the superiority of the "open society" of free men and free institutions. To achieve these results means that our government will be obliged to pay close attention to ways and means of fostering national progress, including more solicitude for a high rate of saving and investment than our government has displayed in the past.

Factors Affecting Money Demand During 1957

The strength of all of these underlying currents, including the factor of population growth which has not been specifically mentioned, should not be underestimated. Economic performance in 1957 will be the product of these factors, plus other factors of a less enduring nature which will bear upon the major categories of monetary expenditure by government, by business, and by consumers. Let us focus attention upon each type of expenditure in turn.

(1) **Governmental Spending**—There is every indication that governmental expenditures during 1957 will eceed those made during 1956 at all levels of government and for both military and civilian purposes. Whereas the total purchases of goods and services by Federal, State, and local governments will probably amount to about $80 billion during the current year 1956, the prospects are that this total will move up to at least between $84 billion and $85 billion during 1957. The major factors in the increase will be: first, a rise of about $2 billion in expenditures of the Federal Department of Defense, mainly on aircraft and missiles; secondly, a rise of about equal amount in the expenditures of the states and local governments on roads, schools, and community facilities. Nineteen hundred and fifty-seven will be the first full year that will feel the impact of the National Highway legislation enacted earlier this year. Higher pay and more generous retirement provisions for civilians and military employees, along with a rising burden of interest payments on the national debt, will also swell government expenditures. After falling off below the peak of 1953, the cost of government is again on the rise, government bodies will definitely contribute to an expansion of total demand in the year ahead.

(2) **Business Spending** — Business expenditures which have usually had the most influence upon short-term economic performance are those made to acquire new plant and equipment and to augment inventories of goods. The inflationary tendencies which cropped out during 1956 emanated in considerable measure from a remarkable rise in the capital expenditures of American businesses, and the scramble for construction materials and new machinery. By the time this year is finished, investment in new plant and equipment will have risen by 25% over the preceding year to the astonishing total of more than $35 billion. This expenditure reflects high confidence in the future of the U. S. economy, the acceleration of technological progress, and the tendency of businessmen—noted previously—to make and to implement long-range plans. Will capital spending continue to expand during 1957?

I think not. The ratio of investment in plant and equipment to U. S. gross national production is not now high, when judged by the recent performance of other industrialized nations or by our own past history. Continuing large outlays on research and development promise to create large demands for new plant and equipment in the future. Yet, an increase of one-quarter within one year is too steep an up-grade to maintain for long. There is evidence that tightening monetary and credit conditions during 1956 have already caused businesses to abandon capital projects which were close to the margin of prospective profitability. If, as I believe to be the case, monetary stringency will continue in some degree during 1957 and there will not be a decline in the structure of interest rates, then monetary policy will continue to restrain capital spending by business in the coming year. Moreover, tightening profit margins will probably make it harder for businesses to finance expansion through retention of earnings. The year 1957 will, I suspect, witness little expansion of the current high level of capital expenditure by business.

Total inventories of manufacturing and trading businesses stood at $86 billion on Sept. 1, having risen by $3.8 billion or about 4.5% since the opening of this year. This rise followed a rise of more than $5 billion or 6.5% during 1955. Even after discounting these figures for the moderate lift in the wholesale price level that has occurred during the past year, it is hard to avoid the conclusion that, taken in the aggregate, business has been building inventories at a somewhat faster rate than is justified by the over-all growth of the economy. During 1957, I should expect additions to inventory to be less than during 1956, even under conditions of general prosperity. In all probability, inventory-building will be a positive factor of smaller proportions during 1957 than during the current year in the growth of demand for goods and services.

(3) **Consumer Spending**—Consumer expenditures, which form the largest segment of aggregate

demand for the output of our economy, are usefully considered in the three categories of housing, durable goods, and non-durable goods and services.

It is probable that expenditures on residential non-farm housing during 1956 will total about $15.1 billion, an amount 9% less than the $16.6 billion spent for this purpose in 1955. Home-construction slumped this year as a result of rising construction costs and higher home prices, combined with a reversal of the progressively easier credit terms which have artificially stimulated the housing market ever since World War II. The slow-up in new family formations was also a retarding factor. Some students of the construction industry look for a pronounced upswing in the number and value of homes constructed in 1957, on the ground that mortgage funds will once more be readily available on the customary terms. I question this optimistic view. The home-building industry will be obliged, in my opinion, to adjust itself to a market for which credit is available only on stricter terms and at higher rates than those to which it has become accustomed. This will require vigorous measures to reduce costs, raise efficiency, and offer prospective home buyers better values, instead of merely easier credit terms. We are at the time when millions of World War II babies are not yet of marriageable age. While population continues to increase, the annual number of family formations will continue to decline for a few years. The prospects are that American consumers will spend about the same amount on home construction in 1957 as in 1956, with the trend toward larger and more expensive homes of higher average unit value continuing.

Consumer Durable Goods

In regard to consumers' expenditures on durable goods, a large question mark is attached to automobile sales during 1957, because they account for about half of all consumer durable goods outlays. Here the prospects are distinctly favorable. Annual auto sales have been closely correlated with manufacturers' expenditures on major mechanical and styling innovations. The 1957 models reflect the largest outlays by auto makers for these purposes in history. The enthusiastic reception accorded the 1957 models by dealers and consumers has so far justified their action. Domestic sales of automobiles and trucks in 1957 may reach 7 million vehicles, which would represent a 1.1 million increase over the 5.9 million that probably will be sold during 1956. If so, this would represent an increase in consumer expenditure on autos alone of the order of 2 to 3 billion. If, as appears likely, consumers also step up their purchases of television receivers, refrigerators, washing machines, and other durables during 1957—commodities whose markets were in the doldrums this year—the rise of consumer spending on all durable goods next year could readily be $4 to $5 billion. While consumer credit terms probably will continue to be rigorous, they are not likely to impose a severe restraint on sales, in a period when consumer incomes continue to rise.

Consumer spendings upon non-durable goods and upon services may also be expected to increase during 1957, although by less than the $14 billion increase that took place between 1955 and 1956, because of a shift in consumers' emphasis next year upon durable goods. Nevertheless, the marked rise in consumers' savings this year (personal savings will probably form about 7.5% of disposable income in 1956 versus 6.1% in 1955), the healthier condition of consumer instalment indebtedness, and the continued rise in consumer income, combine to form a basis for a very satisfactory increase in the expenditures of American households upon non-durable goods and services during the coming year.

Aggregate Demand During 1957

The national economic prospect for 1957 which one derives from an analysis of probable expenditures on final products by governments, households, and business firms is one of continued expansion, but at a slower rate than during 1956, and with little change in the price level. As 1956 draws to a close, there are stronger evidences that the monetary and fiscal restraints imposed upon aggregate demand by the Federal Government are taking hold. 1956 will be the **first** year since World War II when the supply of money—total bank deposits plus currency in circulation—will **not** have increased. The money supply has been held virtually constant, in the face of substantial increases in physical production and even greater increases in monetary demand, because savings have fallen short of the desired amount of investment.

A restrictive monetary and fiscal policy is now producing the intended results. The whole structure of interest rates has moved upward. Personal savings have increased in ratio to the disposable incomes of consumers. A brake has been put on investment in housing and upon business expansion programs. The aggregate supply of goods and services is being brought into better balance with aggregate demand—at current price levels. A successful demonstration is being given of monetary policy based upon the classical (pre-Keynesian) monetary theory.

It seems likely that the last half of 1956, when viewed in retrospect, will be seen to have marked a change in the national economic situation. Except for steel and a few basic commodities, pervasive shortages will have been replaced by more ample supplies of goods and services. An incipient general price inflation will have been halted in its tracks. Business competition for the consumers' dollar will have become more vigorous. Corporate profit margins, which rose to record levels during the last half of 1955 and early 1956, will have become narrower. These are the tendencies we now see in motion. They may be expected to continue into 1957.

To argue that Federal monetary and fiscal policies have succeeded for the present in warding off an inflationary boom is not, of course, to argue that national economic expansion has come to an end. Nor does it imply an early reversal of the present Federal Reserve policy of credit restraint nor an about-face of the present Treasury policy of maintaining high taxes. While the economic curves are changing their slope they are not reversing their direction. Even though demand during 1957 promises to be less exuberant than during the current year, and some moves toward relaxation of credit may prove to be advisable, the chances are that inflationary tendencies will continue to require attention, and that interest rates will generally hold to their present levels.

The economic prospect for 1957 is such that price inflation is not likely to engage the attention of the Federal Government to the extent that it has during the present year. Yet, no one can be sure of this. Neither can anyone be sure that the oposite problem of stimulating demand in order to prevent unnecessary unemployment will not recur at some time during 1957. Should this condition threaten to emerge, the powerful tools of monetary relaxation and tax reduction, so far wisely held in abeyance, could and would swiftly be brought into use. Sharp increases in the supply of money and broadly distributed tax cuts would prove to be as powerful stimulants of private demand as they were during 1954. The danger that we shall take these steps too soon seems greater than that we shall take them too late!

This fortifies my belief that the over-all expansion of the U. S. economy during the past three years will continue in 1957, and will not, as has so often been true in the past, be succeeded by a period of decline. We are entitled to view the coming year with a good measure of optimism and confidence. Yet we do well to remember that in a free economy there is no substitute for flexible and intelligent management of economic affairs by private citizens as well as by government. Confidence in the future should be tempered by day-to-day watchfulness. In sustaining prosperity, as in winning a war, eternal vigilance is the price of victory.

First Boston-Blyth Group Offers Arizona P. S. Co. Preferred Stk.

The First Boston Corp. and Blyth & Co., Inc. are joint managers of the group that yesterday (Nov. 21) offered 200,000 shares of Arizona Public Service Co., $2.40 cumulative preferred stock at par ($50 per share). The stock is convertible into shares of common stock through Dec. 1, 1966 at a conversion price of $23 per share, subject to adjustments.

Net proceeds from the sale of the new preferred stock will be used for partial payment of loans incurred for construction purposes. During the last three months of 1956 and for 1957 and 1958, it is expected that the company will have available for construction approximately $18,500,000 from operations and after the sale of the new preferred stock, about $11,500,000 from its credit agreement with Mellon National Bank & Trust Co. It is estimated that a minimum of $27,400,000 will be required from additional financing to complete the company's construction program during 1957 and 1958 and to repay borrowings under the credit agreement.

Redemption of the stock, subject to approval by the company's common stockholders, will be at $53 per share through Nov. 1, 1961; $52 per share thereafter and through Nov. 1, 1966; and thereafter at $51 per share, plus, in each case, accrued dividends to the redemption date.

Arizona Public Service, which serves more than 277,000 customers in a 40,000 square mile area, is engaged principally in the generation, purchase and sale of electricity and the purchase and sale of natural gas. In the 12 months ended Sept. 30, 1956, its operating earnings were derived 74.9% from electric sales, 25% from gas sales and the remainder from other sources. The company's territory contains 10 of Arizona's 14 counties, whose main industries include mining, diversified industry, cattle, agriculture and the tourist trade.

For the 12 months ended Sept. 30, 1956, total operating revenues were $44,420,000 and net income after preferred dividend requirements $4,761,000 compared with revenues of $39,357,000 and income of $3,969,000 for the calendar year 1955.

Among those associated in the underwriting are: Merrill Lynch, Pierce, Fenner & Beane; Refsnes, Ely, Beck & Co.; William R. Staats & Co.; Stone & Webster Securities Corp.; and Dean Witter & Co.

Frank H. Bachman

Frank H. Bachman passed away November 13th at the age of 38. He was a special partner in Parrish & Co., Philadelphia.

Former Member of "Chronicle" Retires from Vice-Presidency of Standard Oil Co. of N. J.

Jay E. Crane listed among other erstwhile members of this publication who attained prominent positions in banking, finance and industry.

Announcement was recently made that Jay E. Crane has resigned as Vice-President of the Standard Oil Company of New Jersey, but will continue to serve as a director of the company until the annual stockholders meeting in May, 1957. Mr. Crane also continues his membership in the Executive Committee and the Compensation and Executive Development Committee.

Jay E. Crane

Mr. Crane started his business career in the Editorial Department of the *"Commercial and Financial Chronicle"* after his graduation from Yale in 1914. He left the *"Chronicle"* to become identified with the Federal Reserve Bank of New York, serving as Deputy Governor in charge of its foreign business. Mr. Crane was Treasurer of The Standard Oil Co. before becoming a director in 1944 and was elected to the Executive Committee in 1949 and Vice-President in 1950. At the present time, Mr. Crane is Chairman of the Federal Reserve Bank of New York and a trustee of the bank's Committee for Economic Development.

Besides Mr. Crane, other members of the *"Chronicle's"* editorial echelon who have attained executive positions in the financial world include Frederick M. Peyser, partner in Hallgarten & Co.; Karl Weisheit, partner in Smith, Barney & Co.; and Hollister V. Schenck, who retired as Vice-President of The Life Insurance Company of Virginia and is now a partner in Bowles, Andrews & Towne, actuaries at Richmond, Atlanta, and New York. The late Samuel Edmonds, former Editor of the *"Chronicle's"* Municipal Department, became Vice-President of a Philadelphia banking institution, and James H. Ward became Vice-President of The Bethlehem Steel Co. Some years ago, Mr. Ward was honored by the Pope with the Order of St. Gregory. Mr. Ward was also a close friend of the late Alfred E. Smith, ex-Governor of New York State; John J. Raskob of du Pont and General Motors Corp., Judge Joseph M. Proskauer, and Charles Schwab. Milton C. Cross, former Vice-President of Harriman, Ripley & Co., was originally a *"Chronicle"* editor, and is now the Director of Technical Operations of the International Bank for Reconstruction and Development, Washington, D. C.

The late Stuart M. Stanley of the *"Chronicle's"* business department, became Vice-President of "Oral Hygiene," the leading magazine dental authority in the United States. Another *"Chronicle"* editor, the late James E. Van Dyke, organized the "Financial Press" of New York, publishers of the "Investors Pocket Manual" which became the widest circulated pocket reference book of listed securities in the country. Mr. Van Dyke also published several Bond Value and Interest tables which were considered standard publications in financial circles.

One of the *"Chronicle's"* best known and respected advertising solicitors, Alverton H. Aseltine, attained a Vice-Presidency in the Chase National Bank. More recently the Mutual Benefit Life Insurance Co. announced the appointment of a *"Chronicle"* editor, Victor R. Goldberg, C. L. U., as General Agent of its new agency at 320 Fulton Street, Hempstead, L. I.

Halsey Stuart Group Offers Texas Power & Light Co. 4⅜% Bonds

Halsey, Stuart & Co. Inc. headed an investment banking group which offered yesterday (Nov. 21) $10,000,000 of Texas Power & Light Co. first mortgage bonds, 4⅜% series due Nov. 1, 1986, at 101.257% and accrued interest, to yield 4.30%. The underwriters won award of the issue at competitive sale on Nov. 20 on a bid of 100.39%.

Net proceeds from the sale of the bonds, and from the proposed sale of 100,000 shares of new preferred stock, together with other funds, will be used to repay loans made in connection with the company's construction program, to cover the company's estimated expenditures for construction purposes for the balance of 1956 and for 1957, and for other corporate purposes.

The new bonds will be redeemable at general 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.

Texas Power & Light Co., with its principal executive offices in Dallas, Texas, is a public utility company engaged in the generation, purchase, transmission and distribution of electricity wholly within the State of Texas. The company, along with Texas Electric Service Company and Dallas Power & Light Company, with whose systems the company's system is interconnected, are subsidiaries of Texas Utilities Company. Texas Power & Light Company renders electric service in 52 counties in an area comprising 47,200 square miles in the north central part of Texas, having an estimated population of 1,302,000.

For the 12 months ended Aug. 31, 1956, the company had total operating revenues of $49,840,000 and net income of $11,292,000.

Other members of the offering group include: L. F. Rothschild & Co.; Ball, Burge & Kraus; Baxter, Williams & Co.; Stern Brothers & Co.; Freeman & Co.; Mullaney, Wells & Co.; Thomas & Co.; Dallas Union Securities Co.; and Raffensperger, Hughes & Co. Inc.

Long Beach Dealers Elect New Officers

LONG BEACH, Calif. — The Long Beach Security Dealers Association has elected the following slate of officers for the forthcoming year of 1957.

President: Howard T. Booth, Paine, Webber, Jackson and Curtis.

Vice-President: Keith Davis, E. F. Hutton and Company.

Secretary-Treasurer: Mottel Peak, Dean Witter and Company.

Directors: Samuel Isenberg, Dempsey-Tegeler and Company; Floyd Mason, Halbert, Hargrove and Company; Wilbur Wood, M. S. Walker and Company; and Bill School, Crowell, Weedon and Co.

With Hamilton

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Roy Brewer has become affiliated with Hamilton Management Corp., of Denver.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

In addition to the announcement a week ago, which appeared in our issue of Nov. 15, page 2036, that application had been made to the **Federal Reserve Board** for permission to organize a holding company to acquire the stock ownership of the **First National City Bank of New York**, its trust affiliate **City Bank Farmers Trust Company** and the **County Trust Company of White Plains, N. Y.**, the Board of Governors of the Federal Reserve System, issued on Nov. 14, the following press statement:

"Recent press reports have referred to an application made to the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 involving **The First National City Bank of N. Y.** The Board has received such an application for the formation of a bank holding company, which would acquire the stock of three newly organized national banks that would be consolidated under the national banking laws with **The First National City Bank of New York**, the **City Bank Farmers Trust Company**, and the **County Trust Company of White Plains, New York**. The Board has asked the Comptroller of the Currency and the Superintendent of Banks of the State of New York to submit within 30 days any views and recommendations that they may wish to offer with respect to this matter."

As bearing on the above proposal, the **Chase Manhattan Bank of New York**, has likewise issued a statement, dated Nov. 13, dealing with the need for room for expansion of New York banks in areas adjoining New York City Boroughs, citing both **Westchester** and **Nassau Counties**. We quote herewith the statement of John J. McCloy, Chairman of the Chase Manhattan Bank made at a special meeting of stockholders of the bank on Nov. 13:

"For some time the expanding economy of the Metropolitan area has induced **The Chase Manhattan Bank** and other New York City banks to consider seriously the need for extending their facilities to meet this expansion, particularly in areas immediately adjoining the New York City Boroughs.

Population and business enterprises have increased greatly in the suburbs and a number of major companies have moved their headquarters from the City proper to that area. Indeed such counties as Westchester and Nassau are locations to which a growing company might naturally look for room for expansion. All told, the entire Metropolitan area constitutes one integrated economic and trade center, with a population stretching unbrokenly from Manhattan into Westchester and Nassau Counties.

"There recently has been announced by a large New York City bank and a large suburban bank a proposal for forming a bank holding company, which has tended to draw new attention to this problem of extending New York City bank's facilities into the adjoining areas. Without limiting The Chase Manhattan Bank as to any eventual action it might feel itself compelled to take, the management of the bank believes that the most direct and effective way to meet the new economic situation in the public interest is through legislation directly designed to broaden the area within which branch banking is permitted, so that it may conform to the true economic boundaries of New York City.

"In line with this thinking, we are giving careful consideration to the desirability of urging the Special Legislative Committee, which has already been established to study the structure of banking in New York State, to recommend that necessary action be promptly taken to align Nassau and Westchester Counties with the five boroughs of New York City in an enlarged branch banking area."

Mention was also made in our Nov. 15 issue, page 2098 to the proposed increase in the capital of the Chase Manhattan Bank.

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At a meeting on Nov. 14 the board of directors of **The Chase Manhattan Bank of New York**, set a price of $47 per share for the additional 1,000,000 shares of its stock to which stockholders are to be offered rights to subscribe. At a special meeting on Nov. 13 stockholders authorized an increase in the bank's capital stock from 12,000,000 to 13,000,000 shares. This was indicated in our Nov. 15 issue, page 2086. The additional shares will be made available on the basis of 1 share for 12 to stockholders of record Nov. 15. The offering of additional stock is being underwritten by a group of investment firms headed by The First Boston Corporation. An item also appeared on page 2098 of our Nov. 15 issue, bearing on the proposed issuance of the new stock.

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Howard R. Mears, Jr. and Charles B. Newton have been appointed Vice-Presidents of the **Chase Manhattan Bank of New York**, J. Stewart Baker, President, announced on Nov. 20. Both are in the bank's New York City branch system, Mr. Mears at the 34th Street branch and Mr. Newton at Rockefeller Center. Also promoted were E. Adolph Sack, Jr. to Assistant Vice-President, and Ronald G. Ancker, Edward Kahn, Henry C. Kelmereit, Raymond T. Lewis and Charles G. Quigley to Assistant Treasurer.

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The First National City Bank of New York on Nov. 20 appointed three Assistant Vice-Presidents and five Assistant Cashiers at the regular meeting of the Board of Directors. The new Assistant Vice-Presidents are Charles A. Chace, Domestic Division; Ward Neil, 46th Street Office, and William J. Rigney, Domestic Branch Administration. The five Assistant Cashiers are Joseph F. Crean, Domestic Branch Administration; William R. Knapp, Real Estate; and William A. Lockwood, Charles H. Reeves, and John P. Stanton of the Domestic Division.

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Five Assistant Vice-Presidents in the Banking and Trust Departments were named at **Bankers Trust Company of New York** on Nov. 14, it was announced by S. Sloan Colt, Chairman of the Board. Simultaneously Mr. Colt also made known the appointments of two Assistant Trust Officers, four Assistant Treasurers, an Assistant Counsel and three new Managers. In the Banking Department's Foreign Division, John L. Doerschuk was elevated to the post of Assistant Vice-President. Previously an Assistant Treasurer he came with the company in 1934; promoted to Assistant Vice-President in the Trust Department were, Peter A. Brock and William C. Schubert, both of the Operations Division and Frederick R. Hall and James K. Hart, of the Investment Research group. Mr. Brock began his career with the company in 1933; Mr. Schubert also joined the company that year. Both were elected Assistant Secretarys in 1948.

Mr. Hall, a member of the Investment Research group since joining the bank in 1945, was appointed an Assistant Treasurer in 1951. Mr. Hart, a specialist with the division in steel and building material industries, is a graduate of Harvard University. Beginning his career with Bankers Trust Company in 1953, he was elected an Assistant Treasurer in 1955. Appointed Assistant Trust Officers in the Trusts and Estates Division were Malcolm A. Stevenson and Edwin L. Sibert, Jr. Mr. Stevenson, a Harvard graduate in 1948, joined the company two years later. Mr. Sibert joined the bank in 1950 after serving eight years with the U. S. Navy.

Named Assistant Treasurers were, Robert McC. Jordan, of the Brokers and Dealers Group; Frank W. Hurst, of the Park Avenue office, James H. Farrell, with the Banking Operations Division and David L. Unger, of the 39th Street Office. Mr. Jordan joined the company in 1953. He began work in his present capacity in 1954. Mr. Hurst, who joined the Park Avenue branch in 1953, began work with Bankers Trust in 1952 upon graduation from N. Y. U. School of Commerce. Mr. Farrell has been with the bank since 1928. He started in his present position at the beginning of the current year. Mr. Unger began his career with the bank in 1928. He joined the 39th Street Office of the bank in June 1955. Appointed Assistant Counsel was Richard S. Denny of the Legal Department. He began work with the company in 1951 and has been assigned to legal duties since 1953. Named Managers were James H. Clifford, of the Queens Area Operations section; Monroe E. Kaufman, of the Bronx area and Thomas A. Stock of the Brooklyn section.

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Irving Trust Company of New York, announced on Nov. 15 the promotion of Charles M. Applegate and Michael W. O'Brien from Assistant Vice-President to Vice-President. Mr. Applegate, who has been with the Irving since 1939, is in charge of the bank's 57th Street Branch Office. Mr. O'Brien, who joined the Irving organization in 1923, heads the bank's branch office at 21st Street and 5th Avenue. At the same time the bank named four Assistant Vice-Presidents and four Assistant Secretaries. George J. Boslet, Jr., Frederic J. Fuller, Jr., Paul E. Quandt and S. George G. Savory were promoted to Assistant Vice-President from Assistant Secretary while Robert W. Hutton, Kenneth E. Monaghan, George C. Rugen and William Zafft were made Assistant Secretaries. All of these men are associated with the bank's various branch offices.

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Roy F. Coppedge, Jr., Vice-President and Director of the National Distillers Products Corp., was elected a Director of **The New York Trust Company of 100 Broadway, New York**, on Nov. 20, it was announced by Adrian M. Massie, Chairman of the Board, and Hulbert S. Aldrich, President. Mr. Coppedge was graduated from Dartmouth College in 1936 and from Columbia Law School in 1939. He is a Vice-President and Director of National Petro-Chemicals Corp., a Director of W. & A. Gilbey, Ltd., and President and Director of Metalelectro Corp.

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Benjamin S. Haggett, Jr., has joined the **Commercial State Bank and Trust Company of New York** as a Vice-President, it was announced on Nov. 15 by Jacob Leichtman, President. Prior to joining Commercial State Bank, Mr. Haggett served as Vice-President of the **Royal State Bank of New York** and was formerly associated with the **Manufacturers Trust Co.** as Assistant Treasurer. Engaged in banking for 20 years, Mr. Haggett was also previously affiliated with the **Sterling National Bank & Trust Co.** and for four years was credit manager of the Title Guarantee and Trust Co.

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The Grace National Bank of New York announced on Nov. 16 the election of Lester E. Waterbury, a Vice-President and Director of General Foods Corp., as a member of the bank's Board of Directors. Mr. Waterbury was named a Vice-President of General Foods in 1951 and was elected a Director in 1954 with responsibility for legal and financial matters. He graduated from the University of Michigan in 1917 and received his law degree four years later from the Michigan Law School. Prior to joining General Foods in 1927, he had been a member of the law department of The American Sugar Refining Co. Mr. Waterbury is a member of the American Bar Association, the New York State Bar Association, The Association of the Bar of the City of New York, etc.

* * *

Lewis L. Clarke, Senior Trustee of **The Bowery Savings Bank of New York**, on Nov. 13, presented 20-year anniversary pins to 15 members of The Bowery's staff, including Earl B. Schwulst, President of the bank. The presentations were made at the annual dinner of the 20-Year Club in the dining room of the 42nd Street Office of The Bowery Bank. The 20-Year Club now has 246 members.

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Plans to increase the capital stock of the **Amalgamated Bank of New York** from $1,400,000, in 140,000 shares, par value $10 per share, to $2,000,000 consisting of 200,000 shares, of the same par value, have been authorized by the New York State Banking Department as of Nov. 5.

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The Canadian Bank of Commerce announced on Nov. 17 that M. C. C. Ross has been appointed an Assistant General Manager at the Head Office in **Toronto**. Mr. Ross has been with the bank since 1929. Following earlier experience in branches and the Head Office, he has served successively as a Branch Manager, Inspector at the Head Office and Assistant Manager of the bank's Investment Department.

* * *

The North Jersey Trust Co. of Ridgewood, N. J., is offering to its stockholders rights to subscribe at $26 per share for 24,000 additional shares of capital stock at the rate of two shares for each three shares held of record on Nov. 8. The subscription warrants will expire at 2 p.m., on Dec. 3. The offer is being underwritten by Kidder, Peabody & Co., Adams & Hinckley, and Rippel & Co. The proceeds from the sale of the additional shares will be added to the bank's capital funds which will then, it is said, amount to $1,988,000. Total resources of the bank at Sept. 30, 1956 were $20,297,000 and total deposits $18,866,000. For the nine months ended Sept. 30, 1956 total operating income of the bank was $519,000 and net profit was $100,000, equal to $2.78 per share. Dividends on the stock declared in 1956 amount to $1.20 per share.

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New stock to the amount of 24,000 shares is being offered to stockholders of the **North Jersey Trust Company of Ridgewood, N. J.** The stock (par value $12.50) was offered to stockholders at the close of business on Nov. 8 at the rate of two new shares for each three shares held, with the additional right of subscribing, subject to allotment by the directors, to such of the 24,000 shares not subscribed for initially. The rights to subscribe expire on Dec. 3.

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An increase in the capital of the **Woodridge National Bank of Woodbridge, N. J.**, from $300,000 to $500,000 has accrued as a result of a stock dividend of $200,000, the enlarged capital having become effective Oct. 11.

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The merger of the **Delaware Valley Bank & Trust Company of Bristol, Pa.**, into the **Philadelphia National Bank of Philadelphia, Pa.**, plans for which were noted in our issue of Sept 13, page 1085, became effective on Nov. 13, according to the Philadelphia "Inquirer" of that date. The same account indicated that the **Farmers National Bank of Bucks County at Bristol, Pa.**, would likewise merge as of the same date (Nov. 13) with the **Fidelity-Philadelphia Trust Co.**; announcement of these latter plans was referred to in these columns July 12, page 185.

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At the close of business Oct. 19 the **Western Pennsylvania National Bank of McKeesport, Pa.**, with common stock of $2,531,250 the **Farmers and Merchants Bank of Sharpsburg, Pa.** with common stock of $100,000, were consolidated under the charter and title of the first-named bank. At the effective date of the consolidation, the consolidated bank, it is announced by the Comptroller of the Currency, had a capital stock of $2,656,250 divided into 265,625 shares of common stock, par $10 each; surplus of $5,343,750 and undivided profits and reserves of not less than $1,281,830. Earlier this year (in July) the Western Pennsylvania National Bank changed its name from the **First National Bank of McKeesport**, and under its new title effected a merger with the **First National Bank ofr Braddock, Pa.** An item regarding this appeared in our issue of July 26, page 393.

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The Western Pennsylvania National Bank with headquarters in **McKeesport, Pa.**, announces that it has received preliminary approval from the Comptroller of the Currency to purchase the **Washington Trust Company of Pittsburgh**. Acquisition of Washington Trust's deposits of more than $30,000,000 will, it is announced, increase total deposits of the Western Pennsylvania National to over $140,000,000—making it, it is claimed, the fourth largest banking institution in Western Pennsylvania. The new branch will be known as the Washington Trust Office of the Western Pennsylvania National Bank. The proposed transaction tentatively approved by the Federal Government involves the purchase of Washington Trust's assets, subject to approval of the bank's 131 stockholders. The bank is capitalized at $4,900,000 with a liquidation value of approximately $6,250,000.

President Julius Halpern of Washington Trust will retain his interest in the operation of the office as a member of the advisory board. Executive Vice-President Louis J. Reizenstein will become an Executive Vice-President of WPNB in charge of the Washington Trust office.

WPNB will take over management of Washington Trust as soon as final approval is received from Washington and Harrisburg, probably around Dec. 1. WPNB's stockholders were scheduled to meet to approve the transaction Nov. 20.

Washington Trust was established in 1907 and is known primarily as a commercial bank. Mr.

Cancelliere said that although it will be necessary to relocate the Washington Trust Office, the bank as a branch will maintain its local identity. N. A. Cancelliere, President of the WPNB, said it will be necessary for that bank to raise additional capital to meet requirements established by the Comptroller of the Currency to cover deposits that will be assumed as a result of the purchase of Washington Trust. To increase its capital, WPNB will:

(1) Declare a 50% stock dividend (one share for every two). WPNB has 265,625 common shares outstanding with a par value of $10 a share.

(2) After the stock dividend is declared, the bank will issue 132,812 additional shares at $30 a share. Present stockholders will be permitted to purchase stock at the rate of one share for every three held. The stock sale will yield almost $4,000,000, enough to cover the requirements established to protect the bank's depositors, it is stated. When Mr. Cancelliere became President four years ago WPNB, then known as the **First National Bank of McKeesport,** had one office and total resources of $40,000,000.

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Arthur P. Williamson has been elected the new **Chairman of the Board of Society for Savings and Society National Bank of Cleveland, Ohio.**

Arthur P. Williamson

This announcement was made by Mervin B. France, President, following the regular monthly meetings of both banks.

He succeeds Henry S. Sherman who passed away last month. "Mr. Williamson will preside at both Board and Committee meetings as did Mr. Sherman so as to give officers of the bank added time to devote to the practical operation of both institutions," said Mr. France. Mr. Williamson has been a Society for Savings Trustee since October, 1935, and a Director of Society National Bank since its formation in January of this year. His father, grandfather and uncle were Society Trustees before him. When Society for Savings was organized 107 years ago, his grandfather, Samuel Williamson, was a member of the first Board and later became President of the bank during the critical years immediately following the Civil War.

Mr. Williamson who is President of the Dill Manufacturing Co. was one of its founders in 1909.

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An addition of $50,000 has been made to the capital of the **Belleville National Bank of Belleville, Ill.,** the capital thereby having been increased to $250,000 from $200,000, effective Oct. 5.

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Directors of the **Merchandise National Bank of Chicago,** on Nov. 13, proposed a 10% increase in capital and a one for ten stock dividend, according to an announcement from Kenneth K. Du Vall, President. The proposal would raise the bank's capital stock from $1,500,000 to $1,650,000 and increase the number of shares by 15,000 to 165,000. The plan is subject to final approval of the Comptroller of the Currency and voting of stockholders at a special meeting Dec. 3. Under the plan, shareholders would receive one share at $10 par value for each ten shares owned, Mr. Du Vall stated. Scrip certificates, marketable for a stipulated period, will be issued to avoid fractional shares in the stock split. He added that the directors plan to continue the present dividend of 25 cents per share quarterly on the common stock. The dividend will be made possible through transfer of $500,000 from retained earnings, Mr. Du Vall explained. Of this amount, $150,000 will be applied to capital, raising it to $1,650,000, and $350,000 will be applied to surplus which would total $2,350,000. He likewise stated that with $453,377 remaining in retained earnings, the bank's capital account would total $4,453,377, a record high. The bank's capital account has increased more than $1.2 million, or one-third, since the end of 1950, he stated.

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Clive T. Jaffray, 91 years of age and termed "grand old man" of **First National Bank of Minneapolis, Minn.,** died on Nov. 15. During the course of his business career, Mr. Jaffray served as head of both **First National Bank** and **First Bank Stock Corporation,** and also the Soo Line Railway. Although he long since had stepped down from these major business responsibilities, Mr. Jaffray until recently maintained a rigid schedule and could be found daily in his offices in the First National-Soo Line Building. Mr. Jaffray was born July 1, 1865 at Berlin (now Kitchener), Ontario. After an apprenticeship in the **Merchants Bank of Canada,** he moved westward at the age of 22 and took a position in Minneapolis with the Northwestern National Bank. He remained there eight years, and then joined **First National** as Cashier in 1895. On Jan. 11, 1898 he was elected a director of First National, a position which he still held at the time of his death. His name was associated with many events in Minneapolis banking history. Important among these was the building of the present 18-story First National-Soo Line Building. Before the building's completion it became known that the First National was merging with the old **Security National Bank.** Later Mr. Jaffray saw First National outgrow even this structure and began laying plans for a new office structure, on which work is scheduled to start during 1957.

From his position as Vice-President of First National, which he had held since 1907, Mr. Jaffray was elected President of the bank in 1917. Seven years later, in 1924, he relinquished the Presidency of the First National to become President of the Soo Line Railway. From 1937 to 1944 he was Chariman of the railroad's board. He has continued as a director through the years.

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Following an increase in the capital stock of the **American National Bank & Trust Co. of Mobile, Ala.,** from $700,000 to $1,001,000, effective Oct. 29, the bank as of the same date lowered the capital to the extent of $1,000, making it $1,000,000. The increase in the capital was brought about by the sale of $140,000 of new stock and a stock dividend of $161,000.

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The California Bank of Los Angeles and The Commercial National Bank of Santa Ana, Calif., have reached an agreement whereby the three offices of **The Commercial National Bank of Santa Ana** will be merged with and operated as offices of **California Bank.** Frank L. King, President of California Bank, and A. C. Hasenjaeger, President of The Commercial National Bank of Santa Ana, in a joint statement have announced that arrangements for the proposed merger have been approved by the boards of directors of both banks. California Bank presently has 53 offices in Los Angeles and Orange Counties. Its total resources exceed $900,000,000. The total resources of The Commercial National Bank of Santa Ana exceed $25,000,000. Subject to the approval of the shareholders of the two banks, it is expected that actual transfer of business will take place about Jan. 11. The merger is not expected to result in any changes in the personnel of the Santa Ana office, Mr. King said. A. C. Hasenjaeger and Lee J. Hasenjaeger, President and Executive Vice-President, respectively, will become Vice-Presidents of California Bank. Appropriate titles will be provided for the other members of the official family. The board of directors, composed of A. M. Drumm, Leland Finley, A. C. Hasenjaeger, Henry J. Seba, and Roy V. Shafer will become an Advisory Committee to the California Bank offices in Santa Ana.

Smith, Barney-Merrill Lynch Underwrite Sinclair Oil Offering

P. C. Spencer, President of Sinclair Oil Corp. on Nov. 15 announced that the directors of the company have finalized arrangements for an issue of 30-year convertible subordinated debentures. The amount of the issue, for which an SEC registration statement is now effective, has been determined at $167,247,600. Debentures will bear interest at the rate of 4⅜%, and are being offered first to stockholders, at par, in the ratio of $100 in debentures for each nine shares of common stock held. Warrants evidencing the right to subscribe are being mailed to stockholders of record at the close of business Nov. 14, 1956, and will expire on Dec. 3, 1956.

The subscription offer has been underwritten by a nation-wide group of 236 investment banking firms, headed by Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane. The underwriting group includes: The First Boston Corp.; Eastman Dillon, Union Securities & Co.; Kuhn, Loeb & Co.; Lehman Brothers; Morgan Stanley & Co.; Glore, Forgan & Co.; Goldman, Sachs & Co.; Harriman Ripley & Co., Inc.; Kidder Peabody & Co.; Lazard Freres & Co.; Stone Webster Securities Corp.; White, Weld & Co.; Drexel & Co., and Dean Witter & Co.

Mr. Spencer stated that the board of directors considered it advisable to obtain additional capital funds at this time in view of recent important acquisitions made to strengthen greatly the company's position in crude oil and gas production and reserves, also for the purpose of maintaining the company at all times in its strong position financially and otherwise.

FIC Bank Places Debs.

The Federal Intermediate Credit Bank on Nov. 20 offered through John T. Knox, fiscal agent, approximately $107,000,000 of 3¾% nine months debentures, maturing Sept. 3, 1957. They were priced at par. They are also placing privately an additional $5,000,000 maturing Feb. 1, 1957 and $10,000,000 March 1, 1957.

Murphy Heads Fund Drive for Villanova

PHILADELPHIA, Pa. — John A. Murphy, partner in Reynolds & Co., has been appointed chairman of the 1957 fund raising drive for Villanova University. The drive is to secure funds for a development program for the University.

Cecil Barret

Cecil Barret, limited partner in Spencer Trask & Co., passed away November 15 at the age of 82.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Newspapers continue to publicize "tight" money, as though it really were tight. Historically it isn't; and, further, it is a worldwide condition, even in areas where there is no Federal Reserve System, the *bete noir* of the advocates of cheap credit. It is true that the Treasury has just put out an issue of bills at a yield of about 3%. But during World War I most of the heavy financing of war requirements was on a coupon of 4¼%; and subsequently, in the 1920's, there were 5% prime rate loans.

But we would not have even as high rates as we have today except for two major factors, nationwide prosperity and a slow rate of savings, both by individuals and business. Our prosperity breeds an increased demand for money: by business to expand plant and other facilities; by individuals to build homes, buy cars, etc. It is these demands that stimulate the large increases in loan volume at the banks; it isn't any planned and concerted move by the Federal Reserve and the Administration to increase rates and to make loan accommodation difficult to arrange.

And, after all, who has been hurt by this so-called "tight" money? Only some marginal borrowers who, in any case, have little reason to be in the money market at all. We all remember the Reconstruction Finance Corporation scandal, when favored individuals were given loans for all matter of ventures that, being unbankable, were taken to R.F.C. But lending via crony is out of government now, and the banks refuse to lend to such risks. These, and others like them, have probably been given short shift at the banks, but legitimate bankable proposals have not.

Some borrowers on mortgages have experienced some difficulty in obtaining desired credit, but here, too, most of those turned away were probably planning to build on a "shoe string." A generation or two ago a property to be mortgaged was first marked down below its open market value, and then a portion of that valuation was loaned. In recent years veteran borrowers haven't even been required to put up any equity money, and a property's full value could be borrowed, and at low rates, again historically. Now, because a 2% equity is required, in some cases with a modest amount of closing expenses, the heavens resound with politicians' imprecations against the Federal Reserve and the Administration.

And what of the businessman? If he has a reasonably satisfactory bankable need the chances are good that he will get his loan. The all-time highs in loan volume at the country's banks certainly indicate a strong desire on the banks' part to get money out on loan.

The two chief functions of a commercial bank are to receive money on deposit and to lend it out as risklessly as may be. It is in this way that a bank obtains the major portion of its earnings; and banks, as do all of us, strive for profits. The business borrower may have to pay a higher interest rate than, let us say, a year ago before the curse of "tight" money hit us. But is such an increase any more reprehensible than an increase in the price of steel, automobiles, or a host of other items in our economy?

And here may we not ask why it is that labor costs (the principal cost component in most things we buy) may rise, commodity prices increase, automobile prices be hiked, but interest rates which, after all play a relatively small part in our cost of doing business, must never rise even in response to the operation of the law of supply and demand.

Few persons bother to look at the other side of the coin, and that is the stemming of inflation. During the so-called money stringency prices generally have advanced comparatively little. During the soft money years they jumped drastically. Are we not in a better position with a sound currency and a check on run-away prices than we would be with the boom and bust that soft money surely would bring?

As long as the demand for loan accommodation continues strong, we will have firmer rates and funds will be harder to borrow. Thus far in 1956 so-called business loans have increased $1,800,000,000, a 50% greater jump than was registered in the same period in 1955. The president of a New York savings and loan association now predicts 6% mortgage money; and some bank officials predict a near-term hike in the discount rate, which influences practically all borrowing rates.

This will naturally make for greater earnings by the banks. It seems probable now that the 18% increase in earnings of the New York City banks predicted earlier this year by this writer ought to be raised to at least 20% over 1955 on average.

Singer, Deane Co. To Admit Partners

PITTSBURGH, Pa. — Singer Deane & Scribner, Union Trust Building, members of the New York and Pittsburgh Stock Exchanges, on December 1 will admit Charles V. Shanahan and Robert E. Ruse to partnership. Mr. Shanahan is office manager for the firm.

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—James G. Knox is now connected with Walston & Co., Inc., 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Continued from first page

As We See It

blandishments in the hope of becoming the real master of these peoples before they realize it or foresee it.

Recent Trends of Thought

Historically, "backward" peoples have regularly come under the dominance of more "advanced" nations. When they have escaped, it has often been by reason of the fact that rivalries among their would-be masters have "saved" them. It is arguable, certainly, whether these underdeveloped countries did or did not in the long run benefit from being subject to others rather than suffering from it. But, however all that may be, the drift of human thought for many decades now has been away from condoning "colonial" systems and in the direction of giving each country or people its own freedom. A good deal of this type of thought has been seen even in the countries which formerly took empire as a matter of course. At any rate out of two world wars and in the course of human events nationalism has developed lustily throughout the world, and imperialism as it has been known in ages past seems to be doomed.

Britain, always a farseeing ruler, has for a long while been endeavoring to cut formal bonds which had formerly held their empire together and to weld their diverse parts into "a commonwealth of nations." Large success has attended these efforts, but difficult spots have remained where large or vital interests could not, so it was felt, be too rashly jeopardized. Continuation of Britain as a first class nation has at times seemed dependent upon keeping a firm hand upon some of these areas or at least their resources. Conflict in one form or another and in one degree or another probably was and is all but unavoidable. It was and is in these troubled waters that Russia, always envious of the British, came to the conclusion that the fishing ought to be good. If bland ideological talk would help the cause so much the better.

We have here, of course, a recrudescence—if, indeed, it had ever been more than merely submerged for a time—of an age-old situation which has given trouble since history began, and probably before that. It is a troublesome and dangerous state of affairs, but on the whole probably less serious and hazardous than would be the case if present day conflicts arose out of a proselyting crusade by the presumed followers of Marx. Several countries with interests which conflict at important points now profess to be worshippers of the founder of socialism and communism in modern times. The very fact that they have these conflicting interests may save the rest of the world from the necessity of facing a coalition of formidable strength.

The most encouraging aspect of recent developments is the fact now clear beyond dispute that the Kremlin is not the Mecca of communism throughout the world, and that each of several countries, Yugoslavia, Hungary, Poland, China and perhaps others, that have "gone communistic" still want their own national independence and intend to have it if and when they can. This simple truth far transcends in significance the success or the failure of any particular effort to throw off the Russian yoke. We are certain in our own minds that it is today perhaps the chief worry of the masters in the Kremlin. Fear of it, and differences among themselves as to how to deal with it, may well be at the bottom of much that is mysterious in recent behavior of the Russians.

An Age of Turmoil

The fact remains, though, that we live in an age of turmoil, when men's thinking is undergoing further extensive modification following almost revolutionary changes during the past few decades. Substantial changes in the relationships among the peoples of the world are inevitable, indeed are even now in process. All this comes, too, at a time when the world has "grown smaller," thanks to modern means of communication and transportation—to say nothing of what has taken place in the field of armaments. It is hardly strange that we, a parvenu in world politics, should find the going difficult, the more so since we alone among all the first rate powers really have no axe to grind.

It has become clear, distressingly clear, during our relatively brief career in world politics that merely being friends and supplying astronomical amounts of material assistance does not prevail. Many of these peoples partake of our generosity, are quick to complain when for any reason it does not continue indefinitely, and then do as they please regardless of our desires or judgment. Influence by bribing has not worked very well and there is little evidence that it will in the future. Britain, according to reports, after having acted in the Middle East without even informing us of her intentions and knowing full well that we did not approve, now has the temerity to come to us with a request that we save Europe from an oil famine its acts have brought on or soon will bring on!

Experience should by now have taught us also that "investment" in foreign lands, particularly in backward countries, affords no automatic cure for the ills of those countries or of the world in general. We suspect that the old order will change slowly giving place to new, as the poet expresses it, and that patience will be a virtue, not to say a necessity.

Continued from page 13

Outlook for Telephone Utilities

anize operator handling of long-distance calls. Here substantial and rapid progress already has been made. Presently about 55% of long-distance calls are dialed to completion by the originating operator.

Finally, the third step is to arrange for the customer to dial his long-distance calls. 13% are now dialed through to completion by the customer. In addition, customers are dialing a large majority of their short-haul calls. This nationwide dialing by customers has already been introduced in 226 exchanges enabling some 2½ million customers to dial their own calls to about 20 million telephones in 15 distant metropolitan areas in addition to dialing their short-haul calls. Nationwide customer dialing will be available to about 5.5 million customers by end of 1957.

There are three basic requirements for nationwide dialing by customers: a uniform numbering plan; a nationwide switching plan; and equipment to compile the data necessary for billing purposes.

First, we must have a numbering plan which will permit positive identification of each telephone within the United States and Canada. To effect this, the first essential is a general use of the well-known 2 letter 5 digit telephone number. The second element of the plan is the division of the United States and Canada into approximately 110 numbering plan areas—to each of which is assigned a 3 digit numerical area code—e.g., 203 for the State of Connecticut, or 212 for the City of New York. There can be no duplication of 2-5 numbers within an area. A customer, on a call to an area other than his own, will first dial the appropriate 3 digit numbering area code. On a call within his own area, the 3 digit area code will not be required.

The nationwide switching plan—our second fundamental—requires a large and complex network of switching centers. The machines at these centers do everything required to complete the connection to the distant telephone. To me, their most interesting feature is their ability to test various routes to the distant location—and then link up a clear path. This means much faster service and much greater utilization of our intercity circuits.

Accounting equipment capable of assembling billing data is our third necessity. This equipment punches all pertinent information on a paper tape, which is then sent into the accounting office where other machines interpret and prepare the billing slip. These recording devices already are in operation in many newer offices and also are being adapted for use in older dial central offices. (It may be noted in this connection that a most important consideration in all new developments is the matter of compatibility with existing equipment. Furthermore, the achievement of a truly nationwide dialing system requires a high degree of cooperation and coordinated planning between the Bell System and the independent segment of the industry.)

Electronic Switching

A very new development aimed at reducing costs and improving service is the electronic central office switching system. The trial of the first electronic switching system is planned for Morris, Ill., in early 1959 where it will serve about 4,000 customers.

This system will employ all-electronic devices with no moving parts, in contrast with our present systems, which employ electrically operated mechanical switches. Where our present switches have operating times measured in seconds or thousandths of a second, the elements in the new electronic system will operate in the order of a millionth of a second. This tremendously fast operation does not sacrifice reliability, and, because of its speed fewer units of equipment will be required to serve an exchange of standard size.

The key part of the all-electronic system will be the transistor. The transistors, as well as the other elements which will be used are very small in size, so small as to make considerable space savings possible. This, coupled with the fewer units of equipment needed because of the faster operation, will result in savings in required building space.

Another feature of electronic switching systems will be their large capacity for cheap memory. Memory is the programming or logic built into the system. This capability will allow new services to be introduced which from a cost standpoint would be prohibitive with our present systems.

Integrated Data Processing

Data transmission is an area in which the industry must stand ready to meet the communication requirements resulting from outside developments. The job of computers is to process data quickly. The job of our industry is to get data to computers fast, regardless of distance, and then to speed the processed information from the computer to where it is needed.

Transmission of data involves sending intelligence merely by means of a series of making and spacing electrical pulses. These pulses represent codes, consisting of "binary digits," the contraction of which is "bits"—a term used to designate a unit of information. The present teletypewriter system, which uses a standard 5-bit code, is limited by most teletypewriters to 60 words per minute or about 45 bits per second. The teletypewriter channel is limited to a speed of about 75 bits per second, although it is capable of carrying codes of higher order, that is, having larger numbers of "bits."

The various communication channels — teletypewriter, telephone, and television—are capable of carrying the 6, 7, or 8 bit codes used in most electronic computers. But the question is, "Can the information be transmitted as fast as it is processed by the high speed machines?" Actually the industry's facilities can offer transmission speeds to meet almost any data requirement. Telephone channels can speed up to about 750 bits per second, and television channels can transmit some 50 million bits per second.

With the exception of military requirements for national defense, the speed afforded by the economical telephone channel probably will satisfy most any commercial or industrial need. In practice the very high computer speeds are not constant and furthermore temporary storage of data will be in general usage both before and after the computer process. Thus transmission speeds less than those of the machines are practical.

Carrier Systems for Local and Short-Haul Circuits

For many years, the industry has utilized devices for multiplying the number of conversations carried on a single pair of wires. These devices, known as "carrier" systems, consist basically of equipment which employs different frequencies referred to as "space" division for the various conversations carried. In recent years this principle has been advanced through the use of coaxial cables to the point where some 1,800 simultaneous conversations can be carried over a pair of coaxial tubes. Recently experimental work is going ahead on a wave guide — a hollow tube or pipe — capable of carrying hundreds of thousands of conversations at the same time. Heretofore, however, all of these systems have had their primary application to the longer haul circuits. For the shorter haul business, the cost of the equipment required to provide additional message paths has exceeded the cost of the copper wires themselves. The introduction of the transistor, and other solid state devices, has opened the way to development of carrier equipment which can be applied economically to short-haul circuits. This will be a radically different system which, in basic principle, will involve sampling of the speech frequencies at very frequent intervals and then transmitting these samples on a coded basis in pulse form (similar to the pulse transmission for data processing). The pulses are decoded at the distant end of the circuit and the amplitudes of the original speech frequencies restored. The potential advantages include "time" division of the channels, i.e., utilization of periods of momentary idleness and successful transmission of cheaper channels. While this system is still in the early stages of development, it promises an important economical solution to the problem of providing additional voice paths to meet the rapidly growing volume of short-haul traffic.

Other Developments

Other items of note which have received considerable recent publicity include the "Bell Solar Battery" and the specially constructed kind of amplifiers which made possible the new transatlantic cable. My time does not permit any detailed discussion of these. Finally, I do not want to leave this subject without mentioning the extensive program of fundamental research which is carried on in the industry's laboratories, in practically all areas of science. Many of the important, and often spectacular, developments in the telephone business have come from these broad research projects.

I hope that this brief summary, though necessarily a high-spot review, will afford some idea of the shape of things to come in the telephone business. While I have talked mostly about financial and economic matters and physical things, I would like to emphasize that people—in research, in manufacturing as well as in operations — are the really important element in this business. I also hope that I have left some impression of the highly dynamic physical characteristics underlying the telephone industry.

Christophel on NASD Board of Governors

ST. LOUIS, Mo. — Arthur A. Christophel, Reinholdt & Gardner, has been elected to the board of governors of the National Association of Securities Dealers. He succeeds George A. Newton, G. H. Walker & Co., St. Louis.

A. A. Christophel

Two other St. Louis investment men were elected to NASD's District Committee No. 7 (Arkansas, E. Missouri and W. Kentucky). They are:

John W. Bunn, Stifel Nicolaus & Co., Inc., to succeed Albert E. Gummersbach, Dempsey-Tegeler & Co., St. Louis; and Vincent C. Weber, Weber-Mitchell & Co., to succeed Edwin C. Sanders, Edwin C. Sanders & Co., St. Louis.

E. S. Brown Mun. Mgr. For Barret, Fitch

KANSAS CITY, Mo. — Barret, Fitch, North & Co., 1006 Baltimore Avenue, Members of the Midwest Stock Exchange, have announced the appointment of E. Stephen Brown as Manager of the Municipal Department.

Mr. Brown has been with the firm since 1952 and during that time has been actively engaged in the underwriting of municipal securities. In his new position Mr. Brown will be responsible for the underwriting and distribution of municipal securities originating in both the local and national markets.

Prior to this time Mr. Brown has been Assistant Manager of the Municipal Department. This appointment is made to replace Joseph M. Luby, who has recently resigned.

Abraham Glasser Opens

Abraham Glasser is conducting a securities business from offices at 2861 Exterior Street.

Joins Walston Staff

(Special to The Financial Chronicle)

SACRAMENTO, Calif.—Paul B. Caton, Jr., is now affiliated with Walston & Co., Inc., 1020 J St.

First California Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Ralph L. Phelps, Jr., is now connected with First California Co., Inc., 300 Montgomery Street.

With Hannaford Talbot

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Marion J. Cory is now with Hannaford & Talbot, 519 California St.

With Frank B. Bateman

(Special to The Financial Chronicle)

PALM BEACH, Fla.—J. Hubert Howe has become affiliated with Frank B. Bateman, 243 South County Road.

Frederick J. Coombs

Frederick James Coombs of Toronto passed away November 18 at the age of 80. Prior to his retirement he was an officer of A. E. Ames & Co., Ltd.

Public Utility Securities

By OWEN ELY

Northern States Power Company

Northern States Power serves an area of about 40,000 square miles in Minnesota, Wisconsin and the Dakotas, with a population of some two million, roughly half of which is in the Twin City-metropolitan area. About 86% of revenues are derived from the parent company operations in Minnesota, with most of the balance from Wisconsin and less than 1% from small subsidiaries. Six subsidiaries were recently eliminated as part of a plan of system simplification. Revenues are about 86% electric, 13% gas and 1% miscellaneous.

The main system consists of an interconnected electrical grid extending some 400 miles east and west and 200 miles north and south, with the Twin Cities at about the center. The company provides utility service to about one-half of the people in Minnesota, one-fifth of the people in North Dakota, and one-tenth of the people of South Dakota and Wisconsin.

Traditionally agriculture has been dominant in the life of the area, and the four states of the NSP service area rank near the top in many items of farm produce. Industrial activity originally centered in the Twin Cities, but has now expanded into most of the larger towns, with a wide diversity of products. The farm background is reflected in such industries as flour milling, food processing, meat packing, soy bean processing, and linseed oil extraction. Others, such as machine shops, ordnance plants, rubber tire production and refrigerator manufacturing, take advantage of an ample supply of skilled workers. Research laboratories and allied industries produce control devices, pressure-sensitized tapes, air conditioning units, digital computers and hearing aids.

The taconite processing in northern Minnesota and the oil discoveries in western North Dakota are outside of the operating limits of the NSP system, but affect commercial and industrial activity within the area, such as oil refining.

As a combination metropolitan and rural operation, the company enjoys a diversity of load that gives it substantial built-in resistance to depressions or industrial reverses. In 1955, 42.8% of electric revenues came from residential and rural customers, 23.8% from small light and power classifications, and 22.2% from the large light and power customers.

The area served by the company has enjoyed good but not rapid growth. The gain in population was about 8% in the 1930-40 decade, over 12% in 1940-50, and 8% in 1950-55. Growth has been greatest in the Twin Cities suburbs and in the smaller cities—the Twin Cities themselves gained only about 3% in 1950-55.

There is a steady annual 2.5% increase in customers as a result of population increases. The projected growth in KWH sales is on the basis of a 7.2% annual increase which should show a doubling of electric load in the next 10-year period.

Notrhern States Power has 66 generating plants, mainly in the Twin Cities area. 18 are steam plants, 31 hydro and 17 internal combustion. The Mississippi and Minnesota Rivers provide ample water for steam generation, as well as transportation for coal; natural gas is also available for about half the company's fuel requirements.

Production costs have declined in recent years with the installation of large new steam generating units. At Black Dog steam plant, where the three largest and most modern units are installed, BTU per KWH have dropped as low in winter as 9,819 although the company's over-all average last year was 13,136. Production cost per KWH in 1955 was 4.8 mills for steam and diesel and 1.6 mills for hydro, or an average of 4.3 mills. While the cost of fuel is rising this should be more than offest by the improvement in generating efficiency.

Capitalization ratios at the end of 1955 were as follows:

First Mortgage Bonds	43.0%
Bank Loans	4.8
Minority Interest	0.3
Preferred Stock	20.0
Common Stock Equity (13,418,408 shares)	31.9
Total	100%

Northern States Power's share earnings have been in a slowup-trend in recent years—from $1.01 in 1952 to $1.20 estimated for this calendar year and $1.25 forecast for 1957. The gain in share earnings during 1958-60 "should accelerate," according to President King. While the interest on construction credit in 1957 may approximate only $530,000 or about half the 1955 figure, this accounting item is expected to recover to the earlier level by 1959-60, which will be favorable. Earnings on invested capital are expected to continue around the 6.1% level. The company has not yet adopted accelerated depreciation.

At the recent price around 17½, and paying 90c, Northern States Power common stock yields 5.1% and sells at 14.6 times this year's estimated earnings.

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MEMO TO ANALYSTS

In addition to their reports to stockholders, most utility companies prepare "Annual Statistical Reports," which contain a great deal of condensed data useful to analysts. The report consists of four pages of closely-packed electric statistics, four pages of gas statistics and two pages applicable to both industries. It includes tabular data on utility plant by functional divisions; construction expenditures and retirements for the year; the income statement with amounts allocated between electric, gas, etc.; the source and cost of energy, classification of energy sales, revenues and customers; detail of generating statistics by stations; load factor, fuel statistics and BTU per KWH; gas production and purchases; fuels used in generating gas; number of degree days; and classification of gas customers, sales and revenues.

Every five years the statistical committees of the EEI and AGA set up the machinery to collect and evaluate suggestions for further revisions of this form, and they are now proceeding with such a review program. The security analysts have been asked to study the form and send in suggestions for changes or additions, for the report covering 1957 operations. These should be sent prior to Dec. 10, 1956, to Miss Marilyn Walsh, Irving Trust Company, One Wall Street, New York City, who is Secretary of the group of analysts (headed by Charles Tatham of Bache & Company) who will evaluate these suggestions.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The refunding of the Dec. 1 maturity of 2⅝% certificates was more or less in line with expectations. The June 24 maturity for the 3¼% tax anticipation certificates was just about what the money market was looking for. On the other hand, a ten-month certificate had been talked about in certain sectors of the financial district, but at the same time, a 3⅜% one-year certificate has also been the subject of not a small amount of discussion. It was reported that the ten-month 3¼% certificate was decided upon because it is easier to price than the one-year issue. Also, the Federal Reserve Banks own nearly all of the 1½% issue maturing next Oct. 1. This will make the two maturities very compatible for refunding purposes.

3.37% Yield to Corporations

It is expected that the Central Banks will go in for the 3¼% 10-month certificate, whereas, corporations, the principal owners outside of Federal, will take the 3¼% tax anticipation certificates (effective yield about 3.37%). Cash will be important to some of the other owners of the maturing 2⅝s, but it is not believed this will be substantial. The high rate for the refunding issues will lessen the attrition, but it also means that there is no let-up in the pressure on the money markets.

Money Squeeze Continues

Even though the new money raising operation of the Treasury is out of the way, and the refunding of the Dec. 1 maturity is also now a matter of history, there is no let-up in the tight money policy which has been in effect. The demand for loanable funds is as large as ever, with the seasonal needs for money adding to the heavy pressure which has kept the trend of interest rates upward. The demand for credit to finance the business expansion is giving no evidence yet of slackening, and the mounting commercial loans by banks, coupled with the needs of money from the other segments of the economy, such as housing and etc., does not appear to indicate any change in the immediate future in the cost of obtaining this credit.

Status of Discount Rate Debated

The discount rate is still a very important topic of discussion, even though the uncertainty as to its being raised seems to have abated somewhat. The fact that the Central Bank rate was not increased before the recent refunding of the Treasury was announced is being taken to mean in some quarters of the money market that there will not be any change in this rate during 1956. The great pressure on interest rates, nonetheless, does not rule out the possibility that the discount rate will be upped sometime in the early part of next year. On the other hand, it is now believed by some specialists in the money market that the Central Bank borrowing rate will not be moved up until there is more time to evaluate the future trend of the economic situation in the new year.

Present Prime Bank Rate in Danger?

Even though the discount rate is the focal point of most money market discussions, there has been more than a passing amount of talk about an increase in the prime bank rate. With the demand for credit as strong as it is, it would not be unexpected if the cost of money to the commercial bank customers with the highest credit rating were to be advanced. This would have a marked effect upon the whole money market, since it would bring about a complete rearrangement of the whole loaning rate structure.

Tax Switching Feature of Market

In spite of the thinness of the Government market, aside from the short-term obligations, there are reports that tax switches are being made in increasing numbers even though the size of these exchanges is rather limited at times. The current Government market is very much of an order market, which does not make the switching of securities for tax purposes so easy to carry out. It is indicated that the middle-term issues have been somewhat less on the defensive in these swaps, since some institutional demand of not to large proportions has been showing up in these bonds from time to time.

Thin Market Precludes Bond Sales

The credit limiting operations of the monetary authorities are being felt rather extensively at this time in all fixed income markets. This has been true to a much lesser extent for quite a period, but it is much more limiting and much more effective at the present time. The bid side of corporate and municipal bonds, as well as Government securities, is about as small and limited as it has ever been since the restrictive policy of the monetary authorities was adopted. If these non-Government issues could be sold, it would mean that losses could be taken in the bonds which would be disposed of, and these funds would then be used for loans or other similar purposes. However, since these issues cannot be sold in size because of the lack of buyers, there is not an important transfer of money from bonds into loans. The thinness of the fixed income market has also slowed up somewhat the transfer of funds from the older outstanding obligations into the new offerings.

Joins Harris, Upham

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—William D. Hiestand has joined the staff of Harris, Upham & Co., 9860 Wilshire Boulevard.

With Lakewood Secs.

(Special to The Financial Chronicle)

LAKEWOOD, Ohio—Jean Stirling Jenkins has become affiliated with Lakewood Securities Corporation, 14714 Detroit Avenue.

Railroad Securities

By GERALD D. McKEEVER

Denver & Rio Grande Western

In this era of mounting costs and successive rounds of wage increases there is one group of roads which is in a specially favored position. These are the "bridge" roads, or those which are a segment in a line haul involving the origination of much of their traffic by one or more connecting roads on one hand and the delivery of this traffic to a terminal road on the other. The Denver & Rio Grande Western is such a road, forming a link between the Burlington, the Rock Island and the Missouri Pacific at its eastern end and the Western Pacific, Southern Pacific and Union Pacific at its western end. The connection with the latter at Ogden, Utah created the occasion for the rather celebrated "Ogden Gateway" case that had been pending before the ICC and in court for almost seven years until its settlement by U. S. Supreme Court decision last June.

In this action the "Denver" had sought an order requiring the Union Pacific to establish joint rates with it which would be competitive as to traffic interchange between the two roads at their Ogden, Utah connection. The "Denver" claimed that it was unable to make competitive rates on traffic moving through the Ogden interchange from points in northern Utah, Montana, Idaho, Oregon and Washington. After negotiations between the two roads broke down, the "Denver" appealed to the ICC which in January, 1953, ordered joint rates on eastbound shipments. The Federal District Court in October, 1954, sustained the ICC order, but remanded the matter to the Commission for certain adaptations. This order, reversed on appeal, was finally taken to the U. S. Supreme Court. The latter upheld the January, 1953, order of the ICC, but only in so far as making the joint rates apply to fresh fruit and vegetables, frozen poultry and other frozen foods, dried beans, butter and eggs moving from the Pacific Northwest in carload lots—and to carload lots of granite and marble **monuments from Georgia and Vermont!** This highly restricted gain for the "Denver" is regarded actually as a victory for the Union Pacific.

Indicating the "bridge" or "overhead" character of a large part of the traffic of the "Denver," 53% of total 1955 tonnage was received from connections and 31% was "overhead," or was delivered to connecting carriers. Thus the "Denver" is relieved of a large proportion of its terminal expenses, as these figures suggest. As a result, a low transportation ratio and a low wage ratio are characteristics if this road's operations. For the first nine months of the current year the transportation ratio was 30.1% as against 29.3% for the corresponding 1955 period and 29.4% for the full year 1955. The road's low wage ratio—only 39.4% for 1955 as against 49.4% for all Class I roads—has helped to minimize the burden of wage increases and, as a result, the "Denver" is one of the few roads in the West that have been able to show an increase in net income thus far in the present year. Despite the under-average increase in gross revenues of only 3.7% for the first nine months this year, and which is roughly in line with the gain of the western roads generally, the "Denver" earned $3.92 per share for the period as against $3.47 for the corresponding period of 1955.

Over the longer term the "Denver" has shown outstanding growth, the trend both of its revenues and of its traffic having surpassed the corresponding trends of both Class I and of the central Western District for a number of years. These trends are shown by the following tabulation of the respective indices, based on 1947-49 averages as 100.

	Denver & RGW	Central West Dist.	Class I Total	Denver & RGW	Central West Dist.	Class I Total
	Revenues			Ton Miles		
1955	122	119	113	118	111	103
1954	114	112	104	102	101	91
1953	132	126	119	117	109	100
1952	128	124	118	119	110	101
1951	121	118	116	113	111	107
1950	103	108	106	99	100	97

One interesting feature in the upward trend of the traffic of the "Denver" is that the proportion received from connections has tended to hold well above the pre-Korea level despite the cumulative effect of the installation of new industries on its line at the average rate of 78 annually for the five-year period 1950-54. This rather phenomenal point is illustrated by the following:

	Major New Industries	Est. Cars per year	% Tonnage from Conn.
1955	82	9,385	53
1954	66	11,595	52
1953	84	6,020	54
1952	85	6,863	55
1951	85	9,379	55
1950	70	7,855	51

The largest installation of 1955 was the $8½ million pipe mill of Consolidated Western Steel at Geneva, Utah. Second in size was the $2.2 million loop of the Salt Lake City Pipe Line to carry crude from the Rangely, Colo., field to Salt Lake City. Since this oil field is almost 100 miles north of the road's line, this pipe line can scarcely be viewed as taking from the road oil traffic that it might have otherwise enjoyed. Industrial installations begun last year and scheduled to be completed in the current year include the anhydrous ammonia plant of Geneva Steel, the $2½ million plant of Fiberboard Paper Products, the $2 million shale oil plant of Union Oil and the $10 million plant of American Gilsonite.

While the "Denver" is gaining much from growth it is also benefiting from constantly improving efficiency. The 18 new diesels acquired in 1955 enable the road to operate 99.6% of its standard gauge mileage under diesel power which is 98.8% of ton mileage. Progressive dieselization and the installation of CTC which now covers over 25% of the road's 2,008 miles as well as other economies are reflected in the gain in the overall efficiency factor of gross ton miles per freight train hour from 31,829 in 1948 to 62,923 last year, or a gain of over 100%.

Symbolic of the constant exploration for new roads to efficiency that has been typical of the "Denver" in the past several years is its recent move to investigate the possibilities of nuclear energy as a source of rail motive power. The road has been conducting preliminary examinations of this possibility in conjunction with Baldwin-Lima-Hamilton for some time. More recently, however, these two made the joint award of a contract to Walter Kidde Nuclear Laboratories for the actual construction of a mobile reactor power plant for what is expected to be the world's first atomic powered locomotive.

The relatively good results reported by the Denver & Rio Grande Western thus far in the present year has led to the upward revision of some earlier estimates of the 1956 full year's earnings. Net income for this year is now placed at the equivalent of about $5.40 per share as against $5.01 for 1955. This provides ample coverage for the $2.50 dividend rate which indicates a yield of about 6.2% at the current price around 40½. While this yield in itself is not outstanding in the present market, and particularly in relation to what may be obtained on some of the top-grade rail stocks, it is nevertheless attractive in the light of the long-term growth aspects of the "Denver" and in view of its ability to show a gain in net under unfavorable conditions such as have had to be faced this year.

Railroad Industry's Growth Potential Projected for Next Ten Years

Westinghouse Air Brake Chairman estimates freight ton miles will increase 41% in 1965, there will be tremendous pressure for more Piggyback business, 30% rise in "active" locomotives, and a promising railway passenger situation.

Within 10 years the nation's railroads will be carrying annually 880 billion ton miles of freight, including Piggyback—a whopping increase of 41% over the total ton miles carried in 1955.

E. O. Boshell

So predicted a comprehensive report presented by Edward O. Boshell, Chairman of the Railway Progress Institute and Chairman of the Board, Westinghouse Air Brake Company, at the annual Institute dinner at the Waldorf-Astoria Hotel, Nov. 16. Approximately 1,000 officers of railroads and railway supply companies attended this 48th anniversary gathering of the railway supply industry.

As basis for the prediction Mr. Boshell presented the recently completed economic study on "A Ten Year Projection of the Railroads' Growth Potential" compiled by Transportation Facts Inc., a Chicago research organization, and the staff of the Institute.

Research Center Proposed

To meet the needs of this "unprecedented opportunity for growth and progress and profits for the nation's railroads," Mr. Boshell, as the Institute's spokesman, suggested that "serious consideration be given by the railroad industry as a whole to the setting up of a National Railroad Economic Research Center; and by individual railroads to the creation on each road of an economic research team (or bureau or department) to help relate company requirements to total industry need."

The only other speakers at the dinner were William T. Faricy, President of the Association of American Railroads, and Holcombe Parkes, President of the Railway Progress Institute. Both spoke briefly. A 15-minute film entitled "June Decision," was shown. This film portrayed the decision of a June college graduate to enter railroading as a career because he was convinced by the Institute's economic research report that America's railroads have a real future.

Basis for Projection

The report on projected transportation trends, which was written under the direction of Richard Rice, establishes its "sound, reasonable look ahead" on expected increases in the U. S. population, the number of households and the national income.

Holcomb Parkes

Richard A. Rice

As significant facts and figures for the 10-year projection, the report listed the following:

"By 1965 the estimate is for rail freight to comprise 49.8% of the total of all freight for that year. Over the road movement of highway truck-trailers on flat cars must inevitably attract more and more business. There will be tremendous pressure for more Piggyback business.

"The railways of the United States are by far the greatest transportation system in the world, being three times as extensive as the second-ranking Soviet system. They move more traffic, have more capacity, operate more efficiently, make more money than all their domestic competitors. At the same time they pay enough in taxes to cover government-built competitive facilities.

"Car miles hauled by locomotives should, by 1965, account for 1,300,000 car-miles compared with 1955's 1,100,000 car miles per locomotive."

Locomotives and Freight Car Needs

"To haul the expected freight and passenger trafic, some 16,000 'active' locomotives will be needed—an increase of over 30% from the 1955 total.

"Provided an annual increase in ton-miles per car can be achieved, the number of Class I railroad freight cars required to render service will be 1,879,000—some 179,000 units above 1955.

"With mining operations expected to increase in the Atomic Age, some 64,000 of the expected unit increase might be gondolas and hoppers. The remainder of the increase in the fleet would include 40,000 boxcars, refrigerator cars, tank cars and others."

Railway Passenger Situation

"From an economic point of view, the railroad passenger situation is inherently promising. There are many areas and runs in the country where no type of air service can compete on a large scale, provided railroads go after the business aggressively. This would mean operating passenger trains that can make money with an average load of 95 passengers (the present average load of all passenger trains in the country.)

"By 1965, a level of 30 billion passenger miles can be reached because traffic will have leveled off to the normal growth curve and stabilized at about one-third the total intercity common carrier market.

"Should, however, the successful trend toward 'cruise' type trains for longer runs be vigorously supplemented by a new, fast lightweight service that could dominate the intermediate market, the picture could look much brighter."

Income and Household Formation

The report stated "the key factors in the national economy which most closely govern the development of transportation are national income and household formation." The relation of freight traffic to both of these factors seems consistent enough over the past 45 years to preclude any radical shift in the next 10 years, the report asserted.

"The national income" the report pointed out "is the total value of all goods and services produced by the country. Thus, all intercity freight volume moves up and down with the amount of goods and services produced.

"Using conservative estimates for national income for 1960 and 1965, we find that freight movement as a whole may rise from 1,291 billion ton miles in 1955 to 1,486 billion and 1,766 billion in 1965.

To illustrate the magnitude of this freight movement the report stressed the amounts of freight moved each year just to "supply" one family or household. It explained that "in 1900, only 12,300 ton miles were moved per household," but by 1955 this had increased to 27,000 ton miles per household and would reach 33,000 ton miles by 1965.

"The amount of total freight now being moved per household yearly is equivalent to a loaded truck-trailer traveling all the way across the continent; or to a loaded freight car moving 1,000 miles.

To establish its prediction of 880 billion ton miles of railroad freight in 1965, the report pointed out "In 1900, 9,000 rail ton-miles moved per United States household. In 1955, the figure was 13,000 ton-miles. The indication is that possibly 16,400 rail ton-miles will move per household by 1965, including Piggyback. This would put total rail traffic at 880 billion ton-miles in 1965, compared with 625 billion in 1955."

With Pan American

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Robert F. Robinson is now with Pan American Securities, 561 Northeast 79th St.

Two With Maisel Inv.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — E. Morton Schaffran and Carlyle O. Telford have been added to the staff of Maisel Investment Company, 564 Market Street.

William F. Howell

William F. Howell passed away November 12th following a heart attack. Mr. Howell was manager of the municipal bond department of Hallgarten & Co., New York City.

Securities Salesman's Corner

By JOHN DUTTON

Some Prospecting Ideas

If you intend to keep your clientele healthy you must constantly add new customers. People leave your community, they die, they sometimes become a better customer for someone else than they do for you. It happens! New salesmen in the business must also find ways and means of meeting people, who are potential investors, on a favorable basis. Here are some tried and tested means of expanding your circle of potential clients.

Clubs, Lodges and Other Organizations: Pick out one or two that are composed of successful people in your own age group if possible. For younger men the Junior Chamber of Commerce, or other such organizations are excellent. Join Rotary, church groups, Kiwanis, etc., wherever successful men in your community congregate; become a part of these organizations and make yourself useful, cooperative and active. You will meet some top grade men too whom you can associate and work with on the most favorable basis. Don't sit back and expect to make a lot of friendships, and DON'T JOIN JUST FOR A SELFISH DESIRE TO MEET MEN WHOM YOU CAN CONVERT INTO CLIENTS, BUT BECOME A PART OF THE ORGANIZATION AND COOPERATE. The contacts will follow and you can then develop some of them into worthwhile accounts.

Special Situation Radiation: If you have some satisfied clients and you offer them a good situation which you believe will be a profitable investment, after you have sold them, ask them if they know of some of their friends who might also like to have the same opportunity.

There is no better time to ask for some other contacts than after you have done business with a satisfied client. It is surprising how few investment salesmen use this practical method of obtaining new accounts. People do not think of offering you names of friends, but they will do so if you remind them at the right time. When you have made a good profit for a customer, or when he has received some substantial dividend income and is pleased with the job you have done, then go after some names. The best leads you can obtain are from this source. Good customers can send you to other people, and birds of a feather flock together. Be alert to those who wish to cooperate—they have friends whom they also desire to have the benefits you have helped them acquire.

Insurance Men, Accountants and Lawyers: Cooperate with a good man in each of these fields. Send them prospects and leads and constantly keep them advised that you have mentioned their names to some of your friends. When a good situation comes along where they can benefit, show it to them. If there are any oversubscribed very attractive new issues, save a little stock for some of your best radiation centers and give them the benefits of a market turn when available. Help those who will help you and who are also worthy of your recommendation.

There are many people who will take a lawyer's or accountant's advice on where to go to buy investments when they won't listen to a layman. IF YOU CAN HAVE A FRIEND OR TWO IN AN ACTIVE COMMERCIAL BANK you will also be able to capitalize on this contact for leads. There are also ways and means of earning the good-will of important members of your community who have friends and are often asked for advice on what to do with investments. Build your contacts carefully and solidly in these areas.

Direct Mail: Don't overlook plain old-fashioned headwork and legwork. Put a good list together; names of prospects who have answered ads, called your office for quotes and service, from stockholder lists if available, or from the daily press, and send them a good letter offering some special and specific investment or service. Come to the point. Don't generalize. Make your letter short and present an idea. Then follow up by phone, by personal visit, and keep at it. Many a clientele has been built on this basis and all it takes is some common sense and the determination to work intelligently.

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on overtime serving to cloud the lack of general strength of the industry's daily-rate of operations.

However, the outlook for immediate weeks ahead, according to the statistical agency, is one of improvement, with the industry's 1,000,000th 1957 model car completion being scheduled for the closings days of November. Some 772,000 of the cars have been fashioned so far.

"Ward's" said November car building itself is pointing towards 570,000 estimated assemblies, a bright 47% more than October. The estimate is 76% of the year-ago level.

Setbacks noted last week were centered at American Motors output, closed by a strike at the bumper supplier in Chicago, "Ward's" reported. Planning sharp increases over last week were Buick and Plymouth, each with nearly identical 12,500-unit volumes, plus Oldsmobile and Mercury.

Ford and Chevrolet, meanwhile, continued their near-tie battle for 1957 model weekly production honors.

The sharp decline in corporate activity that occurred in September was entirely erased in October when the number of new business incorporations rose 20.5% to 11,546, from the previous month's 9,583, Dun & Bradstreet, Inc., reports. Compared with 10,698 new concerns listed in October last year, there was an increase of 7.9%.

In the first 10 months of 1956, new corporations totaled 120,238. This represented a record high for the period and a gain of 1.9% over the 117,955 recorded in the corresponding 1955 period.

Steel Production This Week Expected to Operate at 99.8% of Capacity

Industry is on the verge of setting a production record, "Steel" magazine reported on Monday last.

The national metalworking weekly said that its industrial production index which is based on steel output, electric power output, freight car loadings and auto assemblies is just two points shy of the all-time high of 164, set last December.

The index reached the high mark for this year during the week of Nov. 10 with a preliminary figure of 162 (1947-1949=100). The previous week it stood at 161 and a month ago it was at 155.

At present, steelmaking is holding steady, while electric power output and auto production are continuing to strengthen. Freight car loadings are following a seasonal decline. With the auto industry on the way to solving its production and supply problems, the increases should overbalance the decrease to set a record.

Steel plants for the tenth consecutive week ran a fraction above their Jan. 1 rated capacity, this trade magazine reported. In the week ended Nov. 18, they produced 2,474,202 net tons of steel for ingots and castings at 100.5% of capacity and in the preceding week, they ran at 101%.

The steel scrap market shows expectations of continuing the high rate of steel production. In the week ended Nov. 14, "Steel's" price composite on steelmaking scrap rose to $61.50 a gross ton, a record. It jumped $2.33 over the composite of the previous week and upset the Sept. 19 record of $59.67. A year ago, it was $45.67.

Continued good business seems assured for 1957, the metalworking authority declared. Backlogs of manufacturing industries are at an all-time high and new orders continue to run ahead of production by a significant amount. To support this higher level of activity, manufacturers have started adding to inventories.

Stable labor relations are ahead and the next big contract opening doesn't come until 1958 when the auto pacts expire. New steel talks aren't scheduled until 1959.

While business will be good, pressure continues to build up for steel price increases. In the week ended Nov. 14, the magazine's finished steel price composite rose 18 cents to $137.66, reflecting the Nov. 1 rise in tin mill product prices.

One of the major requisites for price strength is a strong demand for steel. Demand is brisk and may even strengthen because of the tense international situation. It will spur the ship and oil industries and others will feel the impact.

Steel plates are among the first products to feel the effects of the international tension, the publication noted. There is pressure for faster deliveries, especially for repair to Navy ships being taken out of "moth balls" and readied for service.

Plates have been one of the steel products in strongest demand and an increased rate of shipment has been unable to fill the needs. By the end of this month, the mills will have shipped as many tons of plates this year, despite the steel strike, as they did in all of 1955.

District operating rates remained at 102% of capacity in the Mid-Atlantic, 107.5 in Buffalo, 95.5 in Birmingham, 87 in New England and 109 in the Far West. They were up 3 points to 104% in Youngstown, 0.5 point to 101.5 in Wheeling and 2.5 points to 96.5 in Cincinnati. They declined 1 point to 106% in St. Louis and to 100 in Detroit. From revised rates of the preceding week, they rose 4 points to 103% in Cleveland and 0.5 point to 100 in Chicago but declined 2 points to 99 in Pittsburgh.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 99.8% of capacity for the week beginning Nov. 19, 1956, equivalent to 2,458,000 tons of ingot and steel for castings as compared with 100.2% of capacity, and 2,466,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1956 is based on annual capacity of 128,363,090 tons as of Jan. 1, 1956.

For the like week a month ago the rate was 101.2% and production 2,491,000 tons. A year ago the actual weekly production was placed at 2,416,000 tons or 100.1%. The operating rate is not comparable because capacity is higher than capacity in 1955. The percentage figures for 1955 are based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.

Electric Output Registers Further Gains the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Nov. 17, 1956, was estimated at 11,589,000,000 kwh., an increase above the week ended Nov. 10, 1956, according to the Edison Electric Institute.

The past week's output rose 67,000,000 kwh. above that of the previous week; it increased 440,000,000 kwh. or 3.9% above the comparable 1955 week and 2,272,000,000 kwh. over the like week in 1954.

Car Loadings in Election Day Week Ended Nov. 10, Dropped 3.4% Below Preceding Period

Loadings of revenue freight for the week ended Nov. 10, 1956, which included Election Day, decreased 27,511 cars or 3.4% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Nov. 10, 1956, totaled 772,761 cars, a decrease of 19,281 cars or 2.4% below the corresponding 1955 week but an increase of 64,012 cars, or 9% above the corresponding week in 1954.

U. S. Car Output in Past Week Registered Greatest Strength Since Mid-January

Car output for the latest week ended Nov. 16, 1956, according to "Ward's Automotive Reports," was the strongest since mid-January climbing to a 600,000-unit monthly rate.

Last week the industry assembled an estimated 145,609 cars, compared with 132,087 (revised) in the previous week. The past week's production total of cars and trucks amounted to 167,768 units, or an increase of 14,491 units ahead of the preceding week's output, states "Ward's."

Last week's car output rose above that of the previous week by 13,522 cars, while truck output rose by 969 vehicles during the week. In the corresponding week last year 179,250 cars and 27,286 trucks were assembled.

Last week the agency reported there were 22,159 trucks made in the United States. This compared with 21,190 in the previous week and 27,286 a year ago.

Canadian output last week was placed at 7,660 cars and 2,103 trucks. In the previous week Dominion plants built 7,245 cars and 1,609 trucks and for the comparable 1955 week 6,109 cars and 823 trucks.

Business Failures Point Moderately Higher

Commercial and industrial failures increased to 240 in the week ended Nov. 15 from 219 in the preceding week, Dun & Bradstreet, Inc., reports. Although the toll exceeded the 214 in the similar week last year and 208 in 1954, it remained 22% below the prewar level of 308 in 1939.

All of the week's rise occurred among failures involving liabilities under $5,000, climbing to 56 from 25 in the previous week and 35 a year ago. Casualties with liabilities of $5,000 or more declined to 184 from 194 last week, but they continued slightly above the 179 of this size in the comparable week of 1955. Liabilities in excess of $100,000 were incurred by 11 of the week's failing concerns as against 21 in the preceding week.

Failures edged up during the week in all industry and trade groups except commercial service which dipped to 15 from 18. The manufacturing toll increased to 41 from 38, retailing to 116 from 112, wholesaling to 23 from 15 and construction to 45 from 36. More businesses failed than last year in the retail and wholesale trades, and in construction. The rise from the 1955 level was most noticeable in construction. On the other hand, casualties among manufacturers declined moderately from a year ago and those of service concerns dipped slightly.

Wholesale Food Price Index Points Higher Following A Three-Week Decline.

Reversing a three-week decline, the wholesale food price index, compiled by Dun & Bradstreet, Inc., advanced to $6.01 on Nov. 13, up 6 cents from the seven-month low of $5.95 recorded a week earlier. The index compares with $6.04 a year ago, or a drop of 0.5%.

Commodities rising in wholesale cost last week were flour, wheat, corn, oats, barley, hams, bellies, lard, butter, cottonseed oil and potatoes. Lower were rye, coffee, eggs, steers, hogs 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.

Wholesale Commodity Price Index Held to Moderate Uptrend of Preceding Week

The general commodity price level continued the mild upward movement of the previous week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., registered 296.43 on Nov. 13, as compared with 294.32 a week earlier and with 274.69 on the corresponding date last year.

Most grains scored further advances last week as attention continued to be focused on the unsettled political situation in the Middle East.

Trends in the cash grain markets were very irregular. Wheat, corn and soybeans finished substantially higher while rye and oats were up slightly above the prior week's level. Exports of wheat and flour as wheat during October are estimated at 42,-

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000,000 bushels, as compared with 34,000,000 in September and 11,000,000 in October, 1955. For the July-October period wheat exports totalled 160,000,000 bushels against 81,000,000 last season.

The Department of Agriculture estimated this year's corn crop at 3,412,183,000 bushels, the largest on record, and comparing with 3,241,536,000 bushels produced last year and 3,084,389,000 for the 10-year (1945-54)) average.

Cocoa prices moved higher toward the close, aided by strength in London, dealer buying and also purchasing for European account. Manufacturers were reported to have bought moderate quantities for delivery in the first and second quarter of 1957. Warehouse stocks of cocoa continued to drop and totaled 325,672 bags against 331,421 a week earlier. Coffee developed some easiness in the actual market, reflecting weakness in Columbia and the prospect that the owners and dock workers might reach an agreement on a new contract.

Business in hard Winter wheat flour continued in small volume, with bakers and jobbers inclined to draw upon balances and to make only limited replacements for immediate and nearby.

Domestic raw sugar prices were somewhat easier, but the world sugar market continued to strengthen, aided largely by the improving statistical position.

Lard prices made fairly good gains last week although live hog values were inclined to sag, under the influence of heavier marketings. Lambs declined, while steers were generally steady to strong.

Spot cotton prices strengthened last week under buying influenced primarily by continued tensions and uncertainties in the international situation. Other supporting factors included the prospect of a smaller crop next year under the soil-bank program and the high rate of sales in the disposal of surplus stocks under the government export program.

In its November report, the Department of Agriculture estimated this year's cotton yield at 13,153,000 bales of 500 pounds gross weight, or slightly below the previous month's forecast of 13,268,000. It compares with 14,721,000 bales produced last year.

Total ginnings for the season to Nov. 1 were reported at 9,709,000 bales, equivalent to about 75% of the indicated 1956 crop.

Trade Volume Stimulated in Latest Week by Veterans' Day Sales Promotions.

Responding favorably to Veterans' Day sales promotions, shoppers increased their buying of men's apparel, linens and furniture.

There was a slight decrease in purchases of major appliances and television sets. While volume in new automobiles continued to expand, the call for used cars was unchanged.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 2% below to 2% 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 0 to +4; East and South —1 to +3; Middle West —2 to +2; Northwest —3 to +1; Southwest—4 to 0 and Pacific Coast +1 to +5.

Haberdashers reported a noticeable rise in the buying of men's dress shirts, sweaters and neckwear, while volume in topcoats and suits advanced appreciably. There was an increased call for boys' apparel. Women shoppers boosted their purchases of cloth coats, suits and sportswear, and volume approached that of last year.

There was an upsurge in the buying of tablecloths, linens and blankets the past week with the call for curtains and floor coverings high and steady. Furniture stores reported increased volume in upholstered chairs and dining room sets.

Sales of television sets, refrigerators and automatic laundry equipment fell somewhat and were slightly below those of the similar 1955 week.

Glassware, gifts, and housewares continued to sell well, while volume in hardware and building materials declined noticeably.

While grocers reported an increased call for fresh meat and eggs, sales of poultry and cheese remained at the level of the preceding week. Purchases of butter dipped somewhat. Interest in canned goods and fresh produce decreased, but volume in frozen citrus juices and vegetables climbed considerably.

Although attendance at the major wholesale centers rose last week, the total dollar volume of wholesale orders remained at the level of the previous week. While orders for Spring apparel gifts and furniture expanded somewhat, transactions in some textiles and food products fell moderately. Wholesale trade moderately exceeded that of the comparable 1955 week.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Nov. 10, 1956, dropped 3% below those of the like period last year. In the preceding week, Nov. 3, 1956, a decrease of 3% was reported. for the four weeks ended Nov. 10, 1956, a decline of 2% was recorded. For the period Jan. 1, 1956 to Nov. 10, 1956, a gain of 3% was registered above that of 1955.

Retail trade volume in New York last week advanced 9% to 11% above the comparable period a year ago, due in large measure to Veterans' Day promotions, which are customarily considered an important sales incentive.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Nov. 10, 1956, decreased 7% under those of the like period last year. In the preceding week Nov. 3, 1956, a decrease of 6% (revised) was recorded. For the four weeks ending Nov. 10, 1956, a decline of 5% was registered. For the period Jan. 1, 1956 to Nov. 10, 1956 the index recorded a rise of 4% above that of the corresponding period in 1955.

Continued from first page

Some Thoughts on Economic Trends

faction from the fact that this economic progress to new heights has been achieved without the relapses that have troubled the economy from time to time in the past. The business downturns of 1949 and 1954 in the United States were mild, and in Western Europe the record has been fully as good, or even better. Moreover, our prosperity today stems from a broad expansion in the production of tangible goods rather than a speculative marking up of commodity prices, as was the case immediately after World War I, or of common stock prices, as in the late 'twenties. So far at least, we have remained fairly free of the kind of speculative fever which so often in the past has led to the abuse of short-term credit for the purpose of carrying financial values to exorbitant and fantastic heights; reports from abroad, too, are reassuring in this respect. Thus, not only has economic growth in a great many countries been dynamic but it has resulted also in a prosperity which, with all due caution, may be accepted as being much more "real" today than in some previous periods of economic boom.

Sinews of Expansion

In the United States, and in many foreign countries as well, the upward push to the economy is being provided currently by a sharp expansion in spending by business on plant and equipment. The rapidity of the increase is not without its problematical side—I shall come to these problems in a moment—but the important and encouraging feature is the widespread rise in business confidence evidenced by these ambitious expansion programs. Such confidence is essential if we, our neighbors and our friends overseas are to enjoy an expanding economy in the years ahead. Furthermore, these outlays for more, and for more efficient, productive facilities help provide the basis for a continuing improvement in the physical well-being of our people. It hardly seems necessary to stress that we can achieve economic growth and a rising standard of living only if business enterprise is able to improve its efficiency and productivity rather steadily over the years.

By this, I do not mean to suggest that outlays by governments on highways, flood control, schools, public buildings in general, and many other purposes make no direct contribution to our national welfare or to our standards of comfort. However, let us not lose sight of the fact that the wherewithal in terms of labor, materials and money for these projects comes ultimately out of the private sector of the economy. That is why it is so tremendously important for business enterprise to have the incentive, the means and the opportunity to develop new products and services, new processes of production, new plants and new machines that will increase not only output in the aggregate but output per manhour as well.

Several potent forces seem to be at work to maintain capital investment at a relatively high average level in the years ahead. Spending on research and development continues to increase year after year, resulting not only in a spreading flow of new products but also in a more rapid rate of obsolescence in productive equipment. At the same time, competition acts as a constant and powerful inducement to business managements to improve and modernize their facilities. Moreover, rising wage rates are putting management under continuous — and, in the present environment, perhaps excessive—pressure to seek an offset to ever higher labor costs in the use of more efficient machines. And, unlike conditions a quarter century ago, business managements throughout the free world are displaying strong faith in the future; they see larger markets ahead and are intent upon putting their facilities in readiness to serve them.

Nor is this expansive trend limited to investment in factories and machines. Residential building, after many years of high activity, is still fairly strong; construction of public projects of all kinds has been increasing rapidly and the outlook is for substantially higher outlays over the years. This is clearly the trend in the United States, and a vigorous boom in building and construction appears underway also in Canada, in parts of Europe, and elsewhere in the world.

Underlying this upward course of capital investment by individuals, business and governments is the worldwide upsurge in population — an upsurge that has far exceded the expectations of the experts. In the United States alone, it is now estimated that population over the next 10 years will increase by some 28 million—about as much as the present population of Canada, Norway and Sweden combined—for whom the economy will have to provide additional goods and services of all kinds. Almost everywhere the number of births is substantially above the prewar level and, thanks largely to the achievements of medical science, more people are reaching a ripe old age. This tremendous growth in world population shows no signs of tapering off so far; rather, it is likely to provide a dynamic impetus to the world economy for years and decades to come.

The Problem of Inflation

It would be indeed comforting if the prospect of generally high and rising level of capital investment over the long-term could be taken as an unfailing guarantor of continuing economic progress, requiring no further effort on the part of the public at large. Unfortunately, despite the good record of the postwar decade and the generally satisfactory state of business here and in many major countries abroad, some troublesome problems have yet to be solved. This is hardly surprising, since knowledge regarding the functioning of our economy is still rather limited, and the doctors of economics sometimes arrive at conflicting diagnoses. Furthermore, even on those occasions when the economic practitioners agree, the prescribed treatment may be distasteful to the patient and the medicine bottle may stay unopened in the cabinet.

Perhaps the most vexing economic problem today is that of inflation. So much has been said about inflation in recent years that I am reluctant to add to the discussion, but the subject is important and my interest is both keen and direct. My institution holds several billions of dollars in pension funds, trusts and estates, the beneficiaries of which number in the hundreds of thousands. The great majority of these beneficiaries are past working age; they depend upon us to provide them with the funds they need to maintain themselves in their retirement. We are, therefore, directly concerned with the forces operating in the economy that will determine the effective purchasing power of the benefit payments we shall be making in the future. In addition, of course, none of us can afford to ignore the effects of inflation upon such other savings media as life insurance, savings bonds and savings deposits, which are of great importance not only to their holders but also to the economy at large in that they provide a substantial share of the funds needed to sustain public and private investment activity.

The problem of inflation is not of recent origin. Inflationary forces have been gaining ground throughout the world ever since the beginning of large-scale defense preparations before World War II. Since 1939 the United States dollar has lost approximately one-half of its purchasing power, and yet we have done well in comparison with most other countries, where the currency unit has depreciated considerably more. Most of the decline in the value of the dollar was clearly attributable to war; it occurred either during and immediately after World War II or at the time of the Korean War boom. Wars inevitably breed inflation, and both World War II and the conflict in Korea have reaffirmed this rule.

Peacetime Inflation

More recently, however, after several years of general stability in the price level, inflationary pressures have again begun to make themselves felt, this time in association with a rapid expansion of our peacetime economy. These inflationary pressures have obviously been more moderate than those generated by war; nevertheless, they have been rather persistent, especially since the middle of last year. Price increases have been widespread and significant—disturbingly so if they are interpreted as part of a continuing trend. The so-called cost of living index has risen around 2% since mid-1955, with all of the increase taking place during the past few months, and prices at the wholesale level show a rise of some 4%. Furthermore, prices of goods other than farm products and foods have advanced about 5½%; the price picture would have been even more disquieting in recent years had it not been for a large drop in prices of agricultural products—a drop which has moderated the general price increase but has created problems of its own for the farmer and for industries dependent upon farm prosperity.

Inflationary pressures are not limited to the United States; they are being felt virtually throughout the free world economy, and in several countries the recent price rise has been greater than here at home. These pressures appear as the direct consequence of the strength of economic activity the world over. High levels of capital investment lead to large demands for credit, while public pressures call for large government outlays; shortages of basic materials contribute to rising prices; full employment makes it fairly easy for labor to obtain large wage increases; and thus the wage-cost-price spiral persists.

Consequently, the members of the free world economy share a common problem, that is, how to maintain a reasonably stable price level in order to help attain the common goal, which is sound economic growth. For should inflationary pressures get out of hand —and I am not suggesting that they are out of hand as yet—the prospects for sustained economic progress would be seriously dimmed. Instead, the economy would undergo heavy stress and strain and face grave problems of correction and realignment at some future date. The containment of inflationary pressures is assuredly a formidable task, and requires concerted action of at least three different kinds, namely, by way of credit policy, fiscal policy and wage policy. I should like to make a few observations on the use of each of these measures.

Credit Policy

The most widely employed anti-inflationary instrument today is indubitably credit policy. In the United States, the Federal Reserve for well over a year has been following a policy of credit restraint designed to curb the expansion of bank loans by limiting the volume of reserves available to the commercial banks. Other major countries in the free world have been following similar policies, although the techniques and devices by which credit restraint is made effective vary from country to country. Some countries use direct controls over consumer credit; others place important reliance upon discussion with bank managements; still others employ such devices as ceilings on bank loans, ceilings on bank borrowings from the central bank, and the like. While the methods differ, the basic objective is the same; to limit the expansion of bank credit.

Despite the policy of credit restraint, loans in United States commercial banks continue to rise—in fact, in the past 12 months alone they have advanced by more than $10 billion. However, this sustained increase in bank loans does not mean that credit restraint has been ineffective; the expansion of bank loans has been considerably below what it would have been had the Federal Reserve authorities been less restrictive in their policy. On this point I can offer personal testimony: I can affirm that we have endeavored to moderate unduly exuberant borrowing plans of some of our customers and have taken great pains to weed out loan demands for speculative purposes. We have become increasingly selective in our lending operations, but we have kept credit available for sound and productive purposes and we have made particularly strong efforts to meet the legitimate requirements of small business.

The Federal Reserve has not prevented bank loans from increasing—and fortunately so, since the result otherwise might well have been a drastic unsettlement of financial markets and serious impairment of production. However, the Federal Reserve has placed the banks under pressure to reduce their holdings of Government securities and, in consequence, has prevented an expansion of the money supply. Furthermore, I suspect that tight credit has resulted in the husbanding of available credit for productive purposes and has probably contributed, in particular, to the reduction in the amount of funds available to carry common stocks, thereby helping to temper optimism in the stock market. This is no minor contribution: certainly the situation would be more vulnerable today if increasingly large amounts of credit had been made available for stock market speculation.

Criticism of Federal Reserve

The Federal Reserve has nonetheless been subjected to considerable criticism in recent months. The Federal Reserve has been accused of engineering the fairly sharp increases in interest rates we have experienced; some critics blame the Federal Reserve for the tightness of mortgage money, for the decline in bond prices and the increased cost of business financing. However, the fact that business is currently at record levels seems to belie the charge that the Federal Reserve has been excessively zealous in its policy of credit restraint. What has tightened the bond and money markets and forced interest rates up is not only the Federal Reserve but the large demands for credit that accompany our present high rates of capital investment and economic activity.

Moreover, the Federal Reserve has not reduced the supply of bank reserves, but has merely held them substantially to their level of early 1955, before inflationary pressures became active. Had the credit authorities provided the banks with additional reserves sufficient to enable a greater loan expansion or to reduce the need for liquidation of government securities by the banks, interest rates would probably have risen less, or perhaps very little, but such a policy would assuredly have been inappropriate in the face of rising production costs, shortages in crucial materials such as steel, and advancing commodity prices. A policy of credit ease would not have resulted in greater output but would merely have meant more inflationary pressure and even sharper price increases.

Formulating an effective credit policy obviously requires consummate skill and often a balancing of conflicting goals, especially as the authorities must of necessity pay some attention to public reaction, which may temper or qualify the use of restrictive measures. This seems to apply in principle wherever a central bank endeavors to curb credit expansion but is particularly true in an economy as complex as that of the United States. It is my personal opinion that the Federal Reserve has displayed sound judgment and real courage in its recent policy, and that restraint has been no more vigorous than required by the economic situation. The policies of the Federal Reserve have been designed in the public interest and merit widespread public support.

Treasury Complications

Credit policy alone, however, cannot be expected to achieve a stable price level or iron out the business cycle; this is evidenced by the fact that inflationary pressures persist despite the fairly vigorous policy of credit restraint employed by the Federal Reserve, and the same is true of conditions in several other countries. The credit authorities have considerable influence over the total money supply but cannot prevent its more rapid turnover. When business expands, the rate of money turnover tends to increase, and this has been the case again in the current period. This means, in effect, that business and the general public are holding lower cash balances and putting more available funds to work, thereby offsetting some of the effects of credit restraint.

Moreover, credit policy cannot hold the line against inflation unless it is supported by appropriate fiscal and wage policies; it would hardly be realistic to expect the Federal Reserve or any other central banking system to adopt policies sufficiently rigorous to counteract the effects of inadequate fiscal management or of continuing wage rises in excess of productivity increases. While the fiscal situation in this country has not seriously hampered the recent use of credit policy, the task of the Federal Reserve since early 1955 would surely have been lightened materially had the Treasury been able to achieve a more comfortable budget position.

Fiscal Policy

In surveying the world situation, some consolation may be derived from the observation that considerable progress has been made in recent years in improving fiscal conditions; current inflationary pressures are not directly attributable to large government deficits. Admittedly, no major country is accumulating a substantial budget surplus: a few budgets, such as that of the United States, are in precarious balance, but most government treasuries are incurring deficits. However, these deficits are generally small in comparison to the size either of the budget or of the economy. In many countries, deficits include loans to business or to nationalized industries, and in most cases the deficits are being financed without large or growing recourse to the central bank.

While the record thus might be worse, it could and should be better. In the present period of peak production and employment, governments should be accumulating fairly large surpluses and using the funds to reduce the public debt, thereby helping to offset the rise in private debt. Especially discouraging is the circumstance that even though government receipts here and abroad have been increasing rapidly with the advance in personal and business incomes, pressures for more government spending, or for tax cuts, or both, have prevented fiscal policy from making the contribution to price stability which it otherwise could.

Clearly, when capital investment by business is at record heights and is straining the economy's resources of manpower, materials and money, some cutback in public works would seem highly appropriate. Actually, however, good business and full employment seem to generate greater demands for ambitious public projects throughout the world, and government outlays are being further boosted by rising prices and wages.

Confiscatory Taxes

Taxes pose an even more complex problem. Tax rates almost everywhere have been kept at levels which in many cases have almost confiscatory effects, posing some fundamental questions with regard to economic incentive and sustained business growth. Yet, in the present environment of large public and private spending, tax reductions do not seem appropriate generally unless budget surpluses are large and inflationary pressures have been brought under control. Furthermore, since current savings everywhere seem inadequate to finance the high levels of capital investment, any tax reductions should be so designed as to increase the flow of savings rather than encourage more spending. Neither of these economic postulates, however, has much political appeal.

In addition to the political obstacles to the use of fiscal weapons for the purpose of combating inflation, there is the further complication that fiscal policy is cumbersome and slow-moving; in practice, it can hardly be adjusted flexibly to cope with rapid changes in the economy. As a consequence, I have come to the conclusion that perhaps the best we can expect from fiscal policy is a contribution of a negative sort—that is, we may hope that government budgets will not be so poorly managed as to aggravate inflationary tendencies, but it would probably be unrealistic to look to an aggressive use of fiscal policy to reduce inflationary pressures arising from other sources.

Wage Policy

The third important point in any anti-inflationary program is to develop sound wage policies. Of the three devices—appropriate fiscal, credit and wage policies—this last is perhaps the most critical, but also the most difficult to employ. The aspiration of wage-earners everywhere for higher real earnings, which means a rising standard of living, cannot and should not be denied; it is a mainspring of economic growth. But advances in living standards can come only by raising the output of the goods and services needed to sustain the better life; if money wages rise faster than productivity, the result is more dollars without more goods—that is, added inflationary pressure.

The problem is compounded by the fact that the labor force in the United States and elsewhere is now feeling the effects of the low level of births in the 'thirties; that labor unions have an effective monopoly over the labor supply in important industries; and that, in a period of full employment, of rising prices and generally good markets, business managements frequently prefer to grant liberal wage increases rather than submit to a work stoppage. Another complication is that wage patterns become established in important durable goods industries in which productivity may be increasing relatively fast, but soon fan out throughout the economy into industries where productivity is rising slowly or not at all.

Illustrative of the tremendous upward push in wage rates is the fact that average hourly earnings of manufacturing workers have expanded over 80% in the past 10 years, far outstripping the estimated 47% advance in output per manhour—and this does not take into account the substantial further increases in labor costs due to the rapid expansion of pension programs, health insurance, and other fringe benefits during this same period. Living costs, incidentally, have increased by only 40%.

As long as we persist in marking up wages faster than increases in productivity, unit labor costs will inevitably advance. In this situation, prices must either be raised or, where this cannot be done, profit margins will narrow to the point where business no longer has the incentive or the means to modernize and expand its productive facilities. Should the latter situation develop, we would probably see the end of wage-cost-price spiral but at the expense of lower business activity, an important increase in unemployment, and a slowing down in economic growth.

Looking Ahead

The practical limitations of credit policy, the pressures on the Federal Budget, and the persistence of rapid wage increases have all contributed to the almost fatalistic tolerance of gradual but chronic inflation as part of the American way of life. The notion of a 2 to 3% annual increase in the price level is accepted as well-nigh inevitable by many and is probably endorsed by some. Nevertheless, I am optimistic enough to believe that this notion is too extreme. The inflationary bias in our economy is real and pervasive, but I believe that it can be met without jeopardizing either economic growth or economic stability. I believe that this applies, to a greater or lesser degree, to many foreign economies as well, and some countries have indeed proven that, given sufficient determination to combat the ailment, inflation need not be chronic or cumulative. In discussing the outlook, however, I shall not venture to give a prognosis of conditions abroad, but prefer to limit my conjectures to the patient at home.

Today we are in the midst of another round of wage and price increases and it is admittedly difficult to foresee an end to the spiral in the immediate future. Nevertheless, this uptrend in business and prices has all the characteristics of a cyclical advance which is not likely to persist indefinitely. Instead, it is certainly conceivable that we may succeed in holding these pressures to manageable proportions. The tremendous expenditures on plant and equipment now under way should mean a fairly rapid rise in productivity, and perhaps some of the industries that have been lagging in this respect may now make more rapid progress. Also, the present high rate of business investment heralds a further substantial increase in industrial capacity, which may lead to greater competition and make it more difficult to pass on cost increases. Moreover, the labor force will be augmented in the years ahead from the rising births of the '40s and this should help ease the shortage of labor in many parts of our economy.

Finally, credit restraint and higher interest rates may reasonably be expected to help curb soaring demands. In the past several years we have witnessed an easing of borrowing terms for home buyers and for consumers, which in perspective appears as a "one short" stimulus to sales. There is reason to hope that the progressive liberalization of such credit terms may have about reached its limit, which would help check demands. If we succeed moderately in our our efforts to use sensible fiscal and credit policies, and thereby limit the amount of capital investment to the amount that can be financed out of savings, we may succeed in skimming some of the froth off our cyclical investment booms. This would relieve peak strains, moderate rising costs, and make it more difficult to raise prices generally.

The creditable record of the American economy in the past decade justifies the hope for substantial further achievement as we look ahead. We have the means for continuing sound expansion: we have natural resources, skilled business managements and an adaptable and productive labor force; the American people, despite the discouragement of inflationary pressures, continue to save and invest huge amounts year after year. We appear to be on the threshold of an era which promises great potentialities for economic development and improvement. Doubtless the future will bring problems we cannot anticipate today, but I firmly believe we have the vigor to develop the potentialities, to meet and master the problems, and to build for a better, as well as a bigger, America.

Fewel Adds Two to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Milton C. Miller and Harold J. Pandzic are now connected with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Miller was formerly with Columbia Securities Company; Mr. Pandzic was with Morgan & Co.

2 With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joseph J. Kudzia and Harold U. Thomas have become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Kudzia was formerly with Marache, Dofflemyre & Co. and First California Company. Mr. Thomas was with First California Company.

Eastman Dillon Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — H. E. Grapperhaus and Barry W. Renfro have become associated with Eastman Dillon, Union Securities & Co., 3115 Wilshire Boulevard. Mr. Renfro was formerly Covina representative for First California Company Incorporated.

Cruttenden Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Lee R. Miller is now with Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. He was previously with John J. O'Brien & Co.

Joins Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John T. Bullock is now with Harris, Upham & Co., 232 Montgomery Street. He was previously with John B. Knox & Co.

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Are Our Money Controls Outmoded?

structure and functions of the financial system and the effectiveness of general monetary controls.

In the private sector, evidence of the growing importance of lending institutions competitive with commercial banks but not subject to the same degree of regulation is particularly obvious in two major areas of finance—residential mortgage lending and consumer instalment credit.

The Other Side of the Savings Ledger

A parallel and more striking movement is seen on the other side of the ledger insofar as savings are concerned. During the last decade, savings in the form of commercial bank deposits, savings and loan association shares, and life insurance policies have all increased substantially. While time deposits of banks were rising by some $16 billion, the volume of savings and loan shares increased $25 billion. Annual premium income of life insurance companies more than doubled and reached a level of over $12 billion in 1955. The increased funneling of savings into these other channels has caused the portion going to commercial banks to decline, even though, in absolute terms, time deposits continue to show an upward trend.

The reason for these changed patterns may in considerable measure be ascribed to the impact of taxation and regulations which have been more favorable to other financial institutions than to commercial banks.

Public interest in these matters extends far beyond the question of discrimination—**the effectiveness of our entire system of monetary controls is involved.** The reason for this is that our existing instruments of monetary policy apply directly only to the commercial banking segment of our financial structure. This means that the vast growth of other types of credit institutions has narrowed the control base on which the pressures of monetary control are brought to bear. As this base is narrowed relative to the size of the whole structure, the response of the economy to Federal Reserve action becomes subject to much greater time lags and the dangers of policy miscalculations become much greater.

In periods of booming prosperity, traditional monetary policy would call for the absorption of excess bank reserves by Federal Reserve sales of Government securities, and possibly by increased deposit reserve ratios. At the same time, member bank borrowing from the Federal Reserve would be discouraged by higher rediscount rates. These measures would have the intended effect of restricting commercial bank lending, thereby limiting further inflationary pressure from this direction. However, those institutions outside the banking system are not subject to deposit reserve requirements. Moreover, Federal Reserve open-market operations do not directly reduce the total resources of such institutions, as they do those of commercial banks. This is because the Government securities sold by the Federal Reserve are paid for with funds withdrawn from banks—not from other institutions. Thus, higher reserve requirements fail to immobilize the cash reserves of nonbanks and open-market operations do not subject their resources to attrition.

In short, two of the most powerful instruments at the disposal of the monetary authorities are to a very large extent inoperative with respect to credit institutions other than commercial banks. Consequently, a policy of credit restraint may restrain bank lending but do little to restrain other lenders so long as they can attract funds in sufficient volume. Tight money conditions enable them to pay high enough rates of interest to attract funds.

This is the kind of situation facing us today. A tight money policy has tended to drain business away from the banking system, which is directly subject to policy decisions of the monetary authorities, and has tended to deflect it to institutions that are **not** directly subject to such decisions. This makes policy execution increasingly difficult and thrusts upon banks the major burden of adjustment, since they must now both bring their own operations into line and also compensate for the operations of those institutions that the Federal Reserve System cannot reach directly.

Of course, it is true that changes in Federal Reserve policy frequently set in motion powerful market forces that affect other lending institutions, even under the present arrangement. Reaction to these forces, however, is by no means uniform, reliable, or prompt. It depends mainly upon the impact on Government security prices and upon the reluctance of holders of such securities to sell them at a loss in order to obtain funds for making loans.

Now you may hear it argued that new funds received by nonbank financial institutions represent new **savings** and therefore **that credit extended with such funds is noninflationary.**

This argument is weak, however, because some of the money placed with these institutions represents funds that are merely being shifted from existing bank deposits and do **not** represent **new** savings. In fact, the combination of tight money and business prosperity makes it relatively easy for other financial institutions to induce a shift of funds from banks. Therefore, in a tight money period, lending by these institutions greatly exceeds that which could be financed by just the new savings.

Nor is their expanded lending under these circumstances offset by a corresponding contraction of bank credit. The reason this is so, is that when a depositor transfers money from bank deposits to other forms of financial assets, the banking system as a whole does not suffer a loss in total deposits; there is merely a shift in ownership. Hence, there need be no actual reduction in bank loans and investments. There may even be no decrease in total time deposits because those people who subsequently receive the money, as it circulates, may build up their own time deposits enough to offset the transfer of funds by other people to the nonbanking institutions.

Limits on Anti-Inflationary Policy

Again it is evident that the inability of existing instruments of monetary policy to reach nonbank financial institutions directly, coupled with the understandable reluctance of the Federal Reserve to require an actual contraction of bank loans and investments, places rather narrow limits on the effectiveness of an anti-inflationary policy. If financial institutions not subject to the Federal Reserve System's policy decisions merely failed to react at all to such decisions, this in itself would limit the effectiveness of monetary policy, but at least would not contravene it. However, to the extent that such institutions react perversely — by increasing their loan and investment portfolios at a faster rate in times of credit restraint — they actively undermine policy.

Clearly, we must seek solutions to these problems that limit the effectiveness of monetary policy in today's environment—solutions which are fully consistent with the public interest. Thus we come to our third question: In what directions may we fruitfully seek improvement?

Basically, the solutions must take the form of a coordinated set of principles, policies, regulations, and standards of competition governing the various components of our financial system, in order to make it more responsive to the actions of the Federal Reserve, as well as to reduce the present inequities.

Now certainly it would be a monumental task **to remove all of** the various inconsistencies, inequities and gaps in our financial laws, policies and practices. But the adjustment of tax policies would represent an important move in the right direction.

Yet other adjustments must also be made. Although much further thought and research must be given them, there are at least three which come to mind that are worthy of careful consideration.

Three Needed Adjustments

The first relates to the proper distribution of functions among the various types of financial institutions, both public and private. There is little doubt that with a somewhat different alignment and delineation of functions, we could have a financial system that would be better oriented and coordinated, and more effective in its service to the public.

The second concerns the borrowing operations of savings and loan associations from the Federal Home Loan Banks. Would it not enhance the effectiveness of national monetary policy to require such borrowings to be governed by the same ground rules and policies as commercial bank borrowings from the Federal Reserve Banks?

The third is to consider ways and means of establishing some form of variable cash reserve requirement for non-bank financial institutions, similar in effect, though not necessarily in precise form, to the reserve requirements which banks have long been obliged to reserve? Such a requirement could be varied by the authorities in the light of existing conditions, just as the present reserve requirements against bank deposits may be varied. Since the credit operations of nonbank financial institutions are assuming so important a role in our economy, the establishment of reserve requirements to control the volume of such credit would make monetary policy much more effective, because it would apply to a much broader base.

FRB Need Better Tools

There can be little question that our instruments of monetary policy need to be adapted to present day conditions. By this statement I do not wish to imply that the Federal Reserve Board has not acted wisely in the discharge of its responsibilities — quite to the contrary, the Board has performed in a most satisfactory manner, working with the tools we have given it. But with better tools, the Federal Reserve could do a more effective job. While few of us look with favor on extensions of governmental controls over the private economy, we must accept the need for them in certain instances. Some broader form of monetary control seems inevitable in the long run, in view of the changing character of our financial system. The decision we must make, therefore, is not **whether** there shall be such controls, but rather **what kind** of controls are most effective in the public interest. If nonbank financial institutions are not brought within the orbit of general monetary policy, we can almost certainly predict that inflationary pressures will ultimately lead to the imposition of **selective** credit controls, such as those which were imposed on instalment credit and mortgage credit during the war and part of the postwar period. Experience has taught us that selective regulation of lending is harsh in its impact, difficult to administer, and uncertain in its ultimate r e s u l t s. Institutional lenders, therefore, should have an interest in improving the effectiveness of **general** controls.

The threat of inflation is not restricted to the emergencies of sudden mobilization and war. As we succeed in maintaining maximum employment and output, and in fostering economic growth and prosperity, we will be pressing the limits of our resources as a more or less **normal state of affairs.** In these circumstances, savings may easily be sacrificed to consumption and we may find ourselves trying to consume and invest more than we produce. The possibility of inflation may thus be a **continuing** rather than an infrequent and sporadic threat to economic stability.

It seems quite evident, therefore, that unless the lending and investing operations of more financial institutions are brought within the orbit of national monetary policy, we cannot reasonably expect monetary policy to be fully effective. Clearly, this is a matter of fundamental importance not only to all institutional lenders but to our national life as well. Our economy is developing and changing rapidly. Our financial system must adjust to these changes. Adjustment will be easier and more effective if it is founded upon the concerted judgment and experience of the **entire** financial community—not just a portion of it.

A Non-Political Review Commission Needed

Accordingly, as others have already suggested, it would be both appropriate and timely for the President to appoint a nonpolitical commission to make a thorough review and analysis of our entire financial mechanism. The commission should operate under the broadest terms of reference. Certainly the m a g n i t u d e of the subject and the importance of the task justify a major approach of this character.

The fate of the whole Western World rests squarely upon the shoulders of the United States, so we must make and keep ourselves strong — not only militarily, but also economically. There is no better way to ensure such economic strength than through a sound financial system. Let us be sure that nothing is left undone that will help bring this about.

Joins H. L. Jamieson

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Jack C. Linn is now with H. L. Jamieson Co., Inc., 6399 Wilshire Boulevard.

With Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Roland K. Michelsen is now with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Fred S. Durow is now with Paine, Webber, Jackson & Curtis, 626 South Spring Street.

John R. Coffin

John Roberts Coffin passed away November 15th at the age of 75 following a long illness. Prior to his retirement in 1929 he had been a member of the investment firm of W. E. Coffin & Co.

Harris, Upham Extends Fall Lecture Series

Harris, Upham & Co., 99 Park Avenue, New York City, has announced that its Fall lecture series on the investment brokerage business will be extended with discussion periods scheduled for November 26, December 3 and December 10 at 7:30 P. M. "in keeping with public acceptance accorded these informal meetings designed to clarify and simplify the methods and mechanics of investing."

The program is comprised of talks by Mrs. Rose O'Neill and Mrs. Kathleen Holmes, both registered representatives of the firm, on November 19, based on "The Stock Market and How It Operates"; on "Individual Investment Planning" by Mrs. O'Neill on November 26; a discussion by Thomas Meek, manager of Harris, Upham's 99 Park Avenue office on December 3, treating "Investments for the Future"; and on December 10, by Percy Weeks of Harris, Upham's research department, concerning "The Value of Research Behind All This Planning."

Hayden, Stone & Co. 25-Year Club Dinner

The Tenth Annual Dinner of the Hayden, Stone & Co. 25-Year Club of the New York Office was held on Tuesday, November 20, 1956 at the Antlers Restaurant.

The Club is composed of 45 members and includes two members, Mr. Herbert G. Bell and Mr. William Harrington, who have been with the firm over 50 years, and several members with service of more than 40 years, a rather unique record in the financial community. The Club had as its guest, Mr. Chester R. Knowles, who has been associated with the firm's office in Portland, Maine, for more than 50 years.

At a meeting held prior to the dinner, the following slate of officers for the coming year was elected: President, James M. Shea; Vice-President, William J. Wehrheim; Treasurer, John P. Rouse; Secretary, Clara Nordquist.

Inv. Women of Chicago Discussion Meeting

CHICAGO, Ill. — Investment Women of Chicago will hold their discussion group meeting at Stouffer's Restaurant, 26 West Madison Street, on Monday, November 26, at 6:00 P. M. Mrs. Doris Crawford, Investment Analyst at A. G. Becker & Co., will describe investment analysis work as approached by brokerage houses and discuss opportunities for women in this type of work. Miss Doris Kempes, Investment Analyst at Harris Trust and Savings Bank, will do the same for banks and other institutional investors. Mrs. Ruth Miller, Registered Representative at Hornblower & Weeks, will discuss her work in selling stocks and bonds and assisting customers with their investment problems.

Harris Upham Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Daniel F. Gallivan is now connected with Harris, Upham & Co., 9860 Wilshire Boulevard. He was formerly with Quincy Cass Associates.

Marvin Brown Opens

Marvin L. Brown is conducting a securities business from offices at 207 West 106th Street, New York City.

With Harry Pon

(Special to THE FINANCIAL CHRONICLE)

AZUSA, Calif. — Edgar W. Sawyer is now with Harry Pon, 711 North Azusa Avenue.

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. 25	§99.8	*100.2	101.2	100.1
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 25	§2,458,000	*2,466,000	2,491,000	2,416,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 9	7,050,000	6,981,100	6,992,650	6,808,050
Crude runs to stills—daily average (bbls.)	Nov. 9	¶7,964,000	7,853,000	7,498,000	7,553,000
Gasoline output (bbls.)	Nov. 9	26,714,000	26,620,000	26,405,000	25,806,000
Kerosene output (bbls.)	Nov. 9	2,704,000	2,507,000	2,323,000	2,278,000
Distillate fuel oil output (bbls.)	Nov. 9	12,289,000	12,477,000	12,402,000	11,091,000
Residual fuel oil output (bbls.)	Nov. 9	8,275,000	7,835,000	7,692,000	7,825,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 9	171,843,000	172,626,000	174,062,000	152,084,000
Kerosene (bbls.) at	Nov. 9	36,105,000	35,235,000	33,564,000	35,762,000
Distillate fuel oil (bbls.) at	Nov. 9	161,656,000	158,685,000	153,199,000	150,606,000
Residual fuel oil (bbls.) at	Nov. 9	47,425,000	48,071,000	47,349,000	45,761,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 10	772,761	800,272	823,207	792,042
Revenue freight received from connections (no. of cars)	Nov. 10	657,639	663,919	675,622	672,708
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 15	$369,852,000	$281,014,000	$446,621,000	$401,695,000
Private construction	Nov. 15	202,816,000	168,082,000	265,393,000	307,848,000
Public construction	Nov. 15	167,036,000	112,932,000	181,228,000	93,847,000
State and municipal	Nov. 15	116,652,000	97,772,000	157,790,000	62,329,000
Federal	Nov. 15	50,384,000	15,160,000	23,438,000	31,518,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 10	10,165,000	*10,590,000	10,230,000	9,874,000
Pennsylvania anthracite (tons)	Nov. 10	672,000	498,000	686,000	598,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 10	137	124	134	141
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 17	11,589,000	11,522,000	11,333,000	11,149,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 15	240	219	254	214
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 13	5.622c	5.622c	5.622c	5.174c
Pig iron (per gross ton)	Nov. 13	$63.04	$63.04	$63.04	$59.09
Scrap steel (per gross ton)	Nov. 13	$61.17	$59.83	$56.17	$45.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 14	35.700c	35.700c	39.600c	42.950c
Export refinery at	Nov. 14	34.900c	34.700c	36.075c	44.150c
Straits tin (New York) at	Nov. 14	108.750c	109.750c	105.250c	96.750c
Lead (New York) at	Nov. 14	16.000c	16.000c	16.000c	15.500c
Lead (St. Louis) at	Nov. 14	15.800c	15.800c	15.800c	15.300c
Zinc (East St. Louis) at	Nov. 14	13.500c	13.500c	13.500c	13.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 20	90.45	90.73	91.86	95.01
Average corporate	Nov. 20	97.47	98.09	98.88	107.80
Aaa	Nov. 20	100.65	101.47	102.80	111.44
Aa	Nov. 20	99.52	100.49	100.98	109.60
A	Nov. 20	97.47	98.25	98.73	107.98
Baa	Nov. 20	92.35	92.79	93.67	102.80
Railroad Group	Nov. 20	95.62	96.54	97.94	106.21
Public Utilities Group	Nov. 20	98.09	98.41	98.88	108.16
Industrials Group	Nov. 20	98.57	99.52	100.00	109.24
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 20	3.28	3.26	3.16	2.87
Average corporate	Nov. 20	3.91	3.87	3.82	3.29
Aaa	Nov. 20	3.71	3.66	3.58	3.09
Aa	Nov. 20	3.78	3.72	3.69	3.19
A	Nov. 20	3.91	3.86	3.83	3.28
Baa	Nov. 20	4.25	4.22	4.16	3.58
Railroad Group	Nov. 20	4.03	3.97	3.88	3.38
Public Utilities Group	Nov. 20	3.87	3.85	3.82	3.27
Industrials Group	Nov. 20	3.84	3.78	3.75	3.21
MOODY'S COMMODITY INDEX	Nov. 20	424.6	422.3	419.1	398.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 10	276,848	372,488	257,075	249,427
Production (tons)	Nov. 10	263,400	282,327	279,692	295,930
Percentage of activity	Nov. 10	95	96	96	102
Unfilled orders (tons) at end of period	Nov. 10	477,587	490,515	470,412	680,461
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Nov. 16	109.53	109.48	109.15	107.06
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. 27	1,070,761	1,044,342	1,272,859	991,607
Dollar value	Oct. 27	$57,051,834	$57,470,360	$68,975,372	$51,206,914
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Oct. 27	743,808	755,729	885,230	784,328
Customers' short sales	Oct. 27	5,457	6,587	7,554	4,793
Customers' other sales	Oct. 27	738,351	749,142	877,676	779,535
Dollar value	Oct. 27	$35,997,678	$37,294,134	$45,351,808	$38,548,591
Round-lot sales by dealers—					
Number of shares—Total sales	Oct. 27	184,060	205,480	224,770	208,600
Short sales	Oct. 27	------	------	------	------
Other sales	Oct. 27	134,060	205,480	224,770	208,600
Round-lot purchases by dealers—					
Number of shares	Oct. 27	484,510	481,950	589,080	409,290
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. 27	344,670	379,100	397,440	407,330
Other sales	Oct. 27	7,875,980	8,201,770	10,118,520	9,217,160
Total sales	Oct. 27	8,220,650	8,580,870	10,515,960	9,624,490
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Oct. 27	1,028,650	1,058,420	1,340,320	1,181,490
Short sales	Oct. 27	189,040	185,960	223,860	209,440
Other sales	Oct. 27	840,750	900,990	1,129,520	986,770
Total sales	Oct. 27	1,029,790	1,086,950	1,353,380	1,196,210
Other transactions initiated on the floor—					
Total purchases	Oct. 27	175,090	254,190	277,300	248,900
Short sales	Oct. 25	25,930	22,600	20,600	20,300
Other sales	Oct. 27	241,960	279,910	333,070	256,440
Total sales	Oct. 27	267,890	302,510	353,670	276,740
Other transactions initiated off the floor—					
Total purchases	Oct. 27	342,271	406,350	514,136	442,334
Short sales	Oct. 27	63,630	79,090	54,140	54,650
Other sales	Oct. 27	406,546	504,230	530,072	435,947
Total sales	Oct. 27	470,176	583,320	584,212	490,597
Total round-lot transactions for account of members—					
Total purchases	Oct. 27	1,546,011	1,718,960	2,131,756	1,872,724
Short sales	Oct. 27	278,600	287,650	298,600	284,390
Other sales	Oct. 27	1,489,256	1,685,130	1,992,662	1,679,157
Total sales	Oct. 27	1,767,856	1,972,780	2,291,262	1,963,547
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Nov. 13	115.6	*115.4	115.0	111.1
Farm products	Nov. 13	87.6	*87.9	88.1	84.3
Processed foods	Nov. 13	102.8	102.6	103.3	98.8
Meats	Nov. 13	80.6	80.8	84.8	74.5
All commodities other than farm and foods	Nov. 13	123.9	*123.6	123.0	119.2

*Revised figure. ¶Includes 1,060,000 barrels of foreign crude runs. ‡Based on new annual capacity of 128,363,000 tons as of Jan. 1, 1956, as against Jan. 1, 1955 basis of 125,828,319 tons. †Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
AMERICAN PETROLEUM INSTITUTE—Month of August:			
Total domestic production (barrels of 42 gallons each)	247,189,000	242,940,000	228,307,000
Domestic crude oil output (barrels)	223,046,000	219,805,000	206,604,000
Natural gasoline output (barrels)	24,120,000	23,093,000	21,663,000
Benzol output (barrels)	23,000	42,000	40,000
Crude oil imports (barrels)	31,029,000	33,593,000	23,406,000
Refined products imports (barrels)	12,339,000	*12,025,000	12,414,000
Indicated consumption domestic and export (barrels)	268,875,000	*255,501,000	263,500,000
Increase all stocks (barrels)	21,682,000	33,057,000	627,000
AMERICAN RAILWAY CAR INSTITUTE—Month of October:			
Orders for new freight cars	6,532	3,949	12,843
New freight cars delivered	5,666	3,444	3,772
ASSOCIATION OF AMERICAN RAILROADS—Month of September:			
Locomotive units installed in service	93	127	85
COKE (BUREAU OF MINES)—Month of Sept.:			
Production (net tons)	6,459,289	*5,614,997	6,407,100
Oven coke (net tons)	6,291,970	5,496,368	6,245,100
Beehive coke (net tons)	167,319	*118,629	162,000
Oven coke stock at end of month (net tons)	2,810,118	2,962,937	1,975,131
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—Crop as of Nov. 1 (in thousands):			
Corn, all (bushels)	3,412,183	3,369,102	3,241,536
Wheat, all (bushels)	975,517	975,517	936,761
Winter (bushels)	721,946	721,946	703,047
All spring (bushels)	253,571	253,571	233,714
Durum (bushels)	39,114	39,114	20,070
Other spring (bushels)	214,457	214,457	213,644
Oats (bushels)	1,154,595	1,154,595	1,499,282
Barley (bushels)	370,254	370,254	400,295
Rye (bushels)	21,961	21,961	29,678
Flaxseed (bushels)	51,948	51,948	41,258
Rice (100-lb. bags)	46,225	45,215	53,532
Sorghum grain (bushels)	169,815	165,031	241,100
Cotton (bale)	13,153	13,268	14,721
Hay, all (tons)	110,383	110,383	112,782
Hay, wild (tons)	8,789	8,789	9,097
Hay, alfalfa (tons)	61,031	61,031	59,195
Hay, clover and timothy (tons)	21,316	21,316	24,174
Hay, lespedeza (tons)	4,670	4,670	4,708
Beans, dry edible (cleaned) (100-lb. bags)	16,977	17,033	16,968
Peas, dry field (bags)	4,885	4,885	2,525
Soybeans for beans (bushels)	457,394	470,064	371,106
Peanuts (pounds)	1,488,575	1,491,350	1,564,530
Potatoes (hundredweight)—			
Winter	6,022	6,022	5,175
Early spring	3,923	3,923	3,800
Late spring	24,069	24,069	26,948
Early summer	9,389	9,389	11,058
Late summer	33,481	33,481	31,682
Fall	167,266	165,283	148,383
Total	244,150	242,167	227,046
Sweetpotatoes (hundredweight)	16,634	16,277	20,946
Tobacco (pounds)	2,124,767	2,067,029	2,195,788
Sugarcane for sugar and seed (tons)	6,396	6,286	7,251
Sugar beets (tons)	12,962	13,191	12,228
Broomcorn (tons)	‡	16	44
Hops (pounds)	36,961	36,961	36,874
Apples, commercial crop (bushels)	96,145	94,938	106,234
Peaches (bushels)	68,285	68,285	51,827
Pears (bushels)	32,307	32,422	29,622
Grapes (tons)	2,994	3,006	3,237
Cherries (12 States) (tons)	171	171	263
Apricots (3 States) (tons)	192	192	281
Cranberries (5 States) (barrels)	958	925	1,026
Pecans (pounds)	160,700	159,800	146,860
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of October:			
Weekly Earnings—			
All manufacturing	$82.01	*$81.40	$78.50
Durable goods	89.01	*88.18	85.07
Nondurable goods	72.47	72.25	69.32
Hours—			
All manufacturing	40.6	*40.7	41.1
Durable goods	41.4	*41.4	41.7
Nondurable goods	40.8	*40.4	41.3
Hourly Earnings—			
All manufacturing	$2.02	$2.00	$1.91
Durable goods	2.15	2.13	2.04
Nondurable goods	1.78	*1.76	1.68
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of September:			
Gas-fired furnace shipments (units)	87,200	98,400	101,800
Gas conversion burner shipments (units)	32,300	28,500	43,600
Gas-fired boiler shipments (units)	16,200	10,900	14,200
Domestic gas range shipments (units)	190,800	193,400	219,100
Gas water heater shipments (units)	225,000	248,100	237,100
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of October:			
Seasonally adjusted	145	*145	143
Unadjusted	150	*146	142
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of October (1947-49=100)	82.4	80.5	86.0
PORTLAND CEMENT (BUREAU OF MINES)—Month of August:			
Production (barrels)	30,055,000	29,498,000	27,861,000
Shipments from mills (barrels)	33,324,000	31,333,000	31,580,000
Stocks (at end of month—barrels)	17,046,000	20,598,000	12,731,000
Capacity used (per cent)	111	109	109
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of September:			
Total operating revenues	$874,850,374	$907,294,469	$876,681,976
Total operating expenses	657,880,452	679,722,658	651,446,453
Operating ratio	75.20	74.92	74.31
Taxes	$100,410,934	$102,301,829	$101,654,206
Net railway operating income before charges	97,428,271	103,590,536	103,691,861
Net income after charges (estimated)	79,000,000	87,000,000	81,000,000
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of October:			
Net sales	------	------	$30,687,000
Net purchases	$56,176,500	$8,437,350	------
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Oct. 31	$275,372,172	$274,345,882	$279,865,604
General fund balances	4,704,070	6,445,432	5,313,658
Net debt	$270,668,102	$267,900,450	$274,551,946
Computed annual rate	2.630%	2.614%	2.416%
ZINC OXIDE (BUREAU OF MINES)—Month of September:			
Production (short tons)	15,067	15,639	17,624
Shipments (short tons)	16,550	16,069	17,059
Stocks at end of month (short tons)	18,070	19,553	17,966

*Revised figures. ‡No estimate made.

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.
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. **Offering** —Expected this week.

• **Anheuser-Busch, Inc. (11/29)**
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.

★ **Arkansas Louisiana Gas Co. (12/10-13)**
Nov. 16 filed 840,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To W. R. Stephens Investment Co., Inc., the selling stockholder. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

Atlantic Oil Corp., Tulsa, Okla.
April 30 filed 2,000,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter** — To be named by amendment.

Atlas Credit Corp., Philadelphia, Pa.
June 11 filed $600,000 of 6% convertible subordinated debentures due June 15, 1968. **Price**—100% of principal amount. **Proceeds**—To retire indebtedness of the company to its affiliates for money borrowed for working capital. **Underwriters**—Hallowell, Sulzberger & Co. and Charles A. Taggart & Co., Inc., both of Philadelphia, Pa., and Weill, Blauner & Co., Inc. of New York.

• **Audubon Park Raceway, Inc.**
July 13 (letter of notification) 600,000 shares of common stock being offered for subscription by common stockholders at rate of 0.46875 of a share for each share held, as of Nov. 5, 1956; rights to expire on Nov. 25. **Price**—At par (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, Texas.

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.

★ **Beauty Counselors Inc., Grosse Point, Md. (12/10-14)**
Nov. 15 filed 22,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters** — Spencer Trask & Co., Lee Higginson Corp., and Homer O'Connell & Co., all of New York; Laird, Bissell & Meeds, Wilmington, Del.; and Chas. A. Parcells & Co., Detroit, Mich.

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.**
Aug. 15 filed 25,000 shares of 5.60% cumulative preferred stock (par $100), of which 1,430 shares are being offered to common stockholders of record Nov. 20 (other than Eastern Utilities Associates, the parent) on a share-for-share basis; rights to expire on Nov. 30. **Price** —$101.82 per share, plus accrued dividends. **Proceeds** —To reduce bank loans. **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**—Date indefinite.

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.

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.

• **Credit Finance Service, Inc. (11/26)**
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**—$60 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) being offered to minority stockholders of record Nov. 8 on the basis of one new share for each 16 shares held; rights to expire on Dec. 3. **Price**—$185 per share. **Proceeds**—For new construction and working capital. **Office**—1506 Commerce Street, Dallas, Texas. **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.

★ **Delaware Power & Light Co. (12/11)**
Nov. 14 filed 80,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **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). **Bids**—Expected to be received up to 11:30 a.m. (EST) on Dec. 11 at 600 Market Street, Wilmington 99, Del.

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. (12/5)**
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 Life & Casualty Co., Inc.**
Nov. 12 (letter of notification) an undetermined number of shares of common stock (par one cent) to be offered to stockholders. **Price** — $1 per share. **Proceeds** — For working capital. **Office**—105 West Grace St., Richmond, Va. **Underwriter**—None.

Eastern-Northern Explorations, Ltd.
June 4 (regulation "D") 500,000 shares of common stock (par $1). **Price**—60 cents per share. **Proceeds**—For general corporate purposes. **Office**—Toronto, Canada. **Underwriter**—Foster-Mann, Inc., New York.

★ **Estates, Inc.**
Nov. 8 (letter of notification) 15,000 shares of common stock (par $10). **Price**—$20 per share. **Proceeds**—To secure capital and surplus to comply with permit issued by Nevada insurance department. **Office** — Room 319, 15 E. 1st St., Reno, Nev. **Underwriter**—None. James E. Caine is President.

● **Eternalite, Inc., New Orleans, La. (12/10-14)**
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. (EST) 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 (1/10)**
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**—Paine, Webber, Jackson & Curtis, New York, and Mitchum, Jones & Templeton, Los Angeles, Calif.

★ **General Telephone Corp.**
Nov. 20 filed 800,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For additional investments in common stock equities of subsidiaries and for temporary advances to subsidiaries for reduction of their bank loans and for use in connection with the 1957 construction program; also for other general corporate purposes. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York; and Mitchum, Jones & Templeton, Los Angeles, Calif.

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.

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 being 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 (with an oversubscription privilege). **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.

★ **Holland Finance Corp.**
Nov. 9 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To operate a general finance business. **Office**—139 N. Virginia St., Reno, Nev. **Underwriter**—Charles M. Holland, same address.

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 46,080 shares of capital stock being offered for subscription by stockholders of record Nov. 14, 1956 in the ratio of one new share for each seven shares held; rights to expire on Nov. 30. **Price**—At par ($5 per share). **Proceeds**—To pay outstanding short-term bank loans. **Office**—107 Valley Street, Emporia, Va. **Underwriter**—None.

● **Imperial Oil, Ltd., Toronto, Canada**
Oct. 18 filed 1,504,271 shares of no par value capital stock being 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 (Canadian) per share. **Proceeds**—For working capital and expansion. **Underwriter**—None.

★ **Institutional Shares, Ltd., New York**
Nov. 19 filed (by amendment) 1,000,000 Institutional Growth Fund shares. **Price**—At market. **Proceeds**—For investment.

★ **Insulating Products, Inc.**
Nov. 9 (letter of notification) 199,206 shares of common stock (par $1), of which 174,936 shares are to be offered to the public at $1 per share and 24,270 shares of common stock are subject to offer of rescision at 49 cents per share. **Proceeds** — For mining expenses. **Office** — 3226 Cinder Lane, Las Vegas, Nev. **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.

★ **Investors Planning Corp. of America**
Nov. 14 filed (by amendment) $20,000,000 additional Systematic Investment Plans and Systematic Investment Plans with Insurance. **Proceeds**—For investment. **Office**—New York, N. Y.

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.

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NEW ISSUE CALENDAR

November 26 (Monday)

Credit Finance Service, Inc.__Debs. & Class B Com.
(Merrill Lynch, Pierce, Fenner & Beane) $1,200,000 debentures and 24,000 shares of stock

Peerless Life Insurance Co.__Common
(Newborg & Co.) $287,500

Spar-Mica Corp., Ltd.__Preferred
(Hamlin & Lunt; Allen & Co.; Cowen & Co.; and Straus, Blosser & McDowell) about $2,400,000

United Cuban Oil, Inc.__Common
(S. D. Fuller & Co.) $1,250,000

November 27 (Tuesday)

Long Island Trust Co.__Common
(Offering to stockholders—to be underwritten by A. M. Kidder & Co.) $448,000

November 29 (Thursday)

Anheuser-Busch, Inc.__Common
(Lee Higginson Corp.) 328,723 shares

Electricity Commission of New South Wales Bonds
(Kidder, Peabody & Co.) $7,650,000

Pennsylvania R. R.__Equip. Trust Ctfs.
(Bids noon EST) $9,300,000

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

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

Lucky Stores, Inc.__Common
(Offering to stockholders of Foremost Dairies, Inc.—underwritten by Allen & Co. and Dean, Witter & Co.) 630,000 shares

December 4 (Tuesday)

Erie R. R.__Equip. Trust Ctfs.
(Bids noon EST) $2,805,000

Michigan Bell Telephone Co.__Debentures
(Bids 11 a.m. EST) $30,000,000

December 5 (Wednesday)

Eastern Industries, Inc.__Preferred
(Blair & Co., Incorporated, and Winslow, Cohu & Stetson, Inc.) $1,250,000

K D I Corp.__Preferred
(McDonald, Holman & Co., Inc.) $499,996

Ling Electronics Inc.__Debentures
(Perkins & Co., Inc.) $1,000,000

Ling Electronics Inc.__Common
(Offering to stockholders—to be underwritten by Perkins & Co., Inc.) 183,333 shares

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

U. S. Industries Inc.__Debentures
(Lehman Brothers) $6,000,000

December 6 (Thursday)

New York Central RR.__Equip. Trust Ctfs.
(Bids to be invited) $8,055,000

December 10 (Monday)

Arkansas Louisiana Gas Co.__Common
(Eastman Dillon, Union Securities & Co.) 840,000 shares

Beauty Counselors Inc.__Common
(Spencer Trask & Co.; Lee Higginson Corp.; Homer O'Connell & Co.; Laird, Bissell & Meeds; and Chas. A. Parcells & Co.) 22,000 shares

Eternalite, Inc.__Class A Common
(Vickers Brothers) $900,000

Northeast Airlines Inc.__Common
(Carl M. Loeb, Rhoades & Co.) over $7,000,000

People's Finance Corp.__Preferred
(Paul C. Kimball & Co.) $500,000

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

December 18 (Tuesday)

Atlantic Coast Line RR.__Equip. Trust Ctfs.
(Bids to be invited) $5,340,000

January 8, 1957 (Tuesday)

New England Tel. & Tel. Co.__Debentures
(Bids to be invited) $35,000,000

January 9, 1957 (Wednesday)

National Bank of Commerce, Memphis, Tenn.__Common
(Offering to stockholders—to be underwritten by Leftwich & Ross) $1,000,000

Northern Pacific Ry.__Equip. Trust Ctfs.
(Bids to be invited) about $7,700,000

January 10, 1957 (Thursday)

General Telephone Co. of California__Preferred
(Paine, Webber, Jackson & Curtis and Mitchum, Jones & Templeton) $10,000,000

January 15, 1957 (Tuesday)

Louisiana Power & Light Co.__Bonds
(Bids to be invited) about $20,000,000

January 29, 1957 (Tuesday)

Mountain States Tel. & Tel. Co.__Debentures
(Bids to be invited) $35,000,000

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★ K D I Corp., Rochester, N. Y. (12/5-6)
Nov. 16 filed 81,428 shares of 7% participating cumulative preferred stock (par $5), of which 71,428 shares are to be offered to public. **Price**—$7 per share. **Proceeds**—For machinery and equipment, working capital and other corporate purposes. **Underwriter**—McDonald, Holman & Co., Inc., New York.

Kerr Income Fund, Inc., Los Angeles, Calif.
July 30 filed 100,000 shares of capital stock (par $1), of which 9,300 shares will be initially sold at $10.98 per share. Additional shares will be offered at a price equal to the net asset value of the Fund, plus a sales load of 3½% of such price. **Proceeds**—For investment. **Investment Manager** — California Fund Investment Co., of which John Kerr is also President.

Kinney Loan & Finance Co.
Sept. 11 (letter of notification) $150,000 of 6% sinking fund capital debentures, series A, due Sept. 1, 1971. **Price**—At par in denominations of $1,000 each. **Proceeds**—For working capital. **Office** — 911 Tenth St., Greeley, Colo. **Underwriter**—Wachob-Bender Corp., of Omaha and Lincoln, Neb.

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., Chicago, Ill.

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., Chicago, Ill.

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. (12/5)
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. (12/5)
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.

● Luckyy Stores, Inc. (12/3-7)
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.

★ Massachusetts Investors Trust, Boston, Mass.
Nov. 14 filed (by amendment) 3,500,000 additional shares of beneficial interest in the fund. **Price** — At market. **Proceeds**—For investment.

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 up to 11 a.m. (EST) 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.

★ Midnite Mines, Inc., Wellpinit, Wash.
Nov. 6 (letter of notification) 223,980 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To go to selling stockholders. **Underwriter** — Standard Securities Corp., Spokane, Wash.

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.

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.

★ Montreal (City of)
Nov. 16 filed $22,481,000 of 1956 U. S. currency issues debentures. **Price**—To be supplied by amendment. **Proceeds**—To finance local improvements. **Underwriter**—To be named later.

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.

★ Northeast Airlines, Inc., Boston, Mass. (12/10-13)
Nov. 20 filed an undetermined number of shares of $1 par value common stock (for an aggregate of approximately $7,500,000), of which approximately 44% of the shares are to be offered for subscription by common stockholders other than Atlas Corp., approximately 6% of the share to Atlas Corp. and the balance of the shares, or 50% of the offering, will be offered to the public. **Price**—To be supplied by amendment. **Proceeds**—For expansion of operations; toward payment of 10 aircraft and related equipment; and for general corporate purposes. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York. Atlas Corp. may purchase a portion of shares offered to other stockholders which remain unsubscribed by them.

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.

★ Old Dominion Investors Trust, Inc., Suffolk, Va.
Nov. 19 filed (by amendment) 2,000 shares of capital stock (par $75). **Price**—At market. **Proceeds**—For investment.

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.

★ Ouachita Mining Co., Inc.
Nov. 13 (letter of notification) 50,000 shares of common stock (par $1), to be offered in units of 100 shares. **Price**—$100 per unit. **Proceeds**—For mining expenses. **Underwriter**—None.

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. (11/26-30)
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.

★ Penberthy Instrument Co., Inc.
Nov. 13 (letter of notifcation) 4,605 shares of common stock (par $10). **Price**—$14 per share. **Proceeds**—For working capital, changing of equipment and manufacture of special welding glass. **Office** — 4301 — 6th South, Seattle 8, Wash. **Underwriter**—None.

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.

★ People's Finance Corp., Denver, Colo. (12/10-14)
Nov. 16 filed 50,000 shares of 60-cent cumulative convertible preferred stock (par $5). **Price**—$10 per share. **Proceeds**—To reduce bank loans and for working capital. **Underwriter**—Paul C. Kimball & Co., Chicago.

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.

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 Produc-

tions, 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.

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) being offered 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. Statement effective Nov. 13.

• **Schuster (Ed.) & Co., Inc.**
Nov. 6 (letter of notification) 2,400 shares of common stock (par $10) to be offered only to residents of Wisconsin. **Price**—$18.50 per share. **Proceeds**—To Ralph T. Friedmann, President. **Office**—2152 North Third St., Milwaukee, Wis. **Underwriter**—Robert W. Baird & Co., Milwaukee, Wis.

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 of 100.02% for 5⅜s, the only one received. It was rejected.

• **Sinclair Oil Corp.**
Oct. 25 filed $167,247,600 of 4⅜% convertible subordinated debentures due Dec. 1, 1986, being 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**—100% of principal amount. **Proceeds**—For capital expenditures. **Underwriters**—Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York City.

Southern General Insurance Co., Atlanta, Ga.
Sept. 24 filed 95,714 shares of common stock (par $5), of which 50,000 shares are to be offered publicly; 20,714 shares are to be offered in exchange for 10,357 shares of $10 par common stock of Progressive Fire Insurance Co.; and 25,000 shares are to be offered to certain other persons. **Price**—To public, $14.50 per share; and to certain persons, $13 per share. **Proceeds**—To pay bank loan. **Underwriter** — The Robinson-Humphrey Co., Inc., Atlanta, Ga. **Offering**—Date indefinite.

Southern New England Telephone Co.
Sept. 19 filed 679,012 shares of capital stock (par $25) to be offered for subscription by stockholders of record Oct. 1, 1956 at the rate of one new share for each eight shares held; right to expire on Nov. 2. **Price**—$30 per share. **Proceeds**—To pay advances from American Telephone & Telegraph Co. (approximately $15,800,000) and for property additions and improvements. **Underwriter**—None. **Offering**—Delayed indefinitely by company on Oct. 4. (See also next paragraph.)

Southern New England Telephone Co.
Sept. 19 filed 1,173,696 rights to purchase 146,712 shares of new capital stock (par $25) to be issued to American Telephone & Telegraph Co., which owns 21.61% of the outstanding stock of Southern New England Telephone Co. **Proceeds**—To American Telephone & Telegraph Co. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; White, Weld & Co.; Putnam & Co.; Chas. W. Scranton & Co., and Cooley & Co. (jointly); The First Boston Corp.; Salomon Bros. & Hutzler. **Bids**—Had been expected to be received up to 11 a.m. (EDT) on Oct. 10. (See also preceding paragraph.)

Southern Union Oils Ltd., Toronto, Canada
Aug. 24 filed 750,000 shares of capital stock (par $1). **Price**—64½ cents per share. **Proceeds**—To selling stockholders. **Underwriter**—None.

Southwest Grease & Oil Co.
Sept. 27 (letter of notification) 40,000 shares of common stock. **Price**—At par ($7.50 per share). **Proceeds**—For purchase of new equipment and working capital. **Office**—220 W. Waterman St., Wichita 2, Kan. **Underwriters**—Small-Milburn Co., Inc., Brooks & Co. and Lathrop, Herrick & Clinger, Inc., all of Wichita, Kan.

Southwestern Resources, Inc., Santa Fe, N. M.
June 8 filed 1,000,000 shares of common stock (par 25 cents). **Price**—$5 per share. **Proceeds**—To exercise options, purchase additional properties and for general corporate purposes. **Underwriter**—Southwestern Securities Co., Dallas, Texas.

Southwide Corp., Anniston, Ala.
Sept. 12 filed 450,635 shares of common stock (par $1), of which 211,681 shares are to be offered publicly 238,954 shares are to be offered in exchange for the class A stock of Capital Fire & Casualty Co. and common stock of Allied Investment Corp. **Price**—$2 per share. **Proceeds**—For purchase of stock of Capital and Allied firms and for purchase of U. S. Government bonds. **Underwriter**—None, but a selling commission will be allowed to dealers for sales effected by them. Elvin C. McCary, of Anniston, Ala., is President.

Spar-Mica Corp., Ltd. (11/26-29)
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.

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.

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 Eastern Transmission Corp. (12/10-24)**
Nov. 21 filed $40,000,000 of debentures due Dec. 1, 1976. **Price**—To be supplied by amendment. **Proceeds**—To prepay $28,000,000 of revolving credit notes and for company's gas expansion and reconversion programs. **Underwriter**—Dillon, Read & Co. Inc., New York.

Theatrical Interests Plan, Inc., New York City
Oct. 30 filed 52,000 shares of class A stock (par five cents) and 28,000 shares of class B stock (par five cents). **Price**—Of class A, expected at $10 per share in lots of not less than 25 shares; of class B, expected at par. **Proceeds**—For investment in theatrical and entertainment fields. **Business**—A non-diversified closed-end management investment company. **Underwriter**—None.

Thermoray Corp.
June 29 (letter of notification) 380,000 shares of common stock (par 10 cents). **Price** — 75 cents per share. **Proceeds**—For inventory, working capital, etc. **Business**—Electrical heating. **Office**—26 Avenue B, Newark, N. J. **Underwriter**—Eaton & Co., Inc., New York.

★ **Title Guarantee & Trust Co., New York**
Nov. 21 filed 61,902 shares of capital stock (par $8) of which 35,750 shares are to be offered for subscription by stockholders on the basis of one new share for each eight shares held; and the remaining 26,152 shares are to be offered, together with cash, in exchange for stock of Abstract & Title Insurance Corp. of Buffalo, N. Y., on the basis of $15.25 in cash and 4/10ths of a share of Title Guarantee stock in exchange for each share of Abstract. The subscription offer to Title Guarantee stockholders will be made in event that Title Guarantee acquires at least 85% of the Abstract stock. **Price**—To be supplied by amendment. **Proceeds**—To acquire Abstract stock. **Underwriter**—None.

★ **Transtates Petroleum, Inc.**
Nov. 13 (letter of notification) 44,400 shares of common stock (par one cent). **Price**—At market (estimated at 50 cents per share). **Proceeds**—For oil and gas development. **Office**—149 Broadway, New York, N. Y. **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 Aircraft Corp.**
Nov. 20 filed 46,000 shares of common stock (par $5) to be offered to eligible employees of corporation and its domestic subsidiaries pursuant to Stock Option Plan.

★ **United Credit Corp., Sioux Falls, S. Dak.**
Nov. 13 (letter of notification) 124,982 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For loans, working capital and other corporate purposes. **Underwriter**—Paul Derr, Sioux Falls, S. D.

• **United Cuban Oil, Inc. (11/26)**
Aug. 29 filed 2,573,625 shares of common stock (par 10 cents), of which 2,000,000 shares are to be offered publicly and 573,625 shares will be issued in exchange for stock of Compania de Formento Petrolero Ted Jones, S. A. (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**—Date indefinite.

• **U. S. Industries, Inc. (12/5)**
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.

★ **Universal Lithium Corp., Washington, D. C.**
Nov. 15 filed 1,320,000 shares of class A voting stock and 1,587,500 shares of class B non-voting stock. **Price**—Six cents per share. **Proceeds** — For drilling program and for plant and equipment for rendering ore marketable. **Underwriter** — William O'Connor, Secretary of company, of Arlington, Va. Malcolm W. Ater, of Falls Church, Va., is President, and Robert G. Baumann, of Ritchie, Md., is Treasurer.

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. This was later amended to cover 186,526 shares of common stock (par $2.50) being offered for subscription by common stockholders of record Nov. 9, 1956 on the basis of one new share for each seven shares held (with an oversubscription privilege); rights to expire on Nov. 29. **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 Oct. 31, 1957, one additional share at $22. Amended statement became effective Nov. 9, 1956.

Western States Natural Gas Co.
Aug. 24 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For development of oil and gas. **Office**—Felt Bldg., Salt Lake City, Utah. **Underwriter**—Us-Can Securities, Inc., Jersey City, N. J.

Wheland Co., Chattanooga, Tenn.
May 23 filed $2,000,000 of convertible subordinated debentures due June 1, 1976, and 136,000 shares of common the company's account and 61,000 shares for a selling stockholder. **Price** — To be supplied by amendment. **Proceeds**—Together with proceeds from private sale of $1,500,000 4¾% first mortgage bonds and $900,000 of 3-year unsecured 4½% notes to a group of banks, will be used to retire outstanding series A and series B 5% first mortgage bonds, and for expansion program. **Underwriters**—Hemphill, Noyes & Co., New York; Courts & Co., Atlanta, Ga.; and Equitable Securities Corp., Nashville, Tenn. **Offering** — Temporarily postponed.

Wildcat Mountain Corp., Boston, Mass.
Aug. 13 filed $800,000 of 6% subordinated cumulative debentures due Dec. 1, 1976, and 6,000 shares of common stock (no par) to be offered in units of a $400 debenture and three shares of stock. **Price** — $500 per unit. **Proceeds**—For construction and working capital. **Business**—Mountain recreation center. **Underwriter**—None; offering to be made by officers and agents of company.

Wilson & Co., Inc.
Aug. 28 filed $20,000,000 of 20-year sinking fund debentures due 1976. **Price**—To be supplied by amendment. **Proceeds** — To redeem presently outstanding first mortgage bonds, to repay bank loans and for expansion program. **Business**—Meat packing firm. **Underwriters**—Smith, Barney & Co.; Glore Forgan & Co. and Hallgarten & Co., all of New York City. **Offering**—Indefinitely postponed.

Prospective Offerings

Appalachian Electric Power Co.
May 31 it was announced company plans to issue and sell in December $24,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Kuhn, Loeb & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co., Inc.

Associated Truck Lines, Inc.
Oct. 11 it was announced corporation plans to issue and sell $1,000,000 of 6% convertible subordinated debentures due Oct. 1, 1971 at par and 75,000 shares of common stock (par $3) at $11 per share (the latter for the account of selling stockholders). **Proceeds**—From sale of debentures, for expansion and working capital. **Business**—A short haul motor common carrier operating over 3,300 miles or routes in Illinois, Indiana, Michigan and Ohio. **Office**—Grand Rapids, Mich. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass., and New York, N. Y. **Offering**—Indefinitely postponed. Probably not until January.

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★ Atlantic Coast Line RR. (12/18)
Bids are to be received by the company on Dec. 18 for the purchase from it of $5,340,000 equipment trust certificates, series K, to be due annually from Jan. 1, 1958 to Jan. 1, 1972, inclusive. Probable bidders: Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler.

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. 5. **Price**—$47 per share. **Underwriter**—The First Boston Corp., New York.

★ Cleveland Electric Illuminating Co.
Nov. 12 it was reported company plans to issue and sell $25,000,000 of first mortgage bonds in the Summer of 1957. **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.; Blyth & Co., Inc.; Dillon, Read & Co. Inc.; Blair & Co. Inc., and Baxter, Williams & Co. (jointly); Glore, Forgan & Co.; White, Weld & Co.

★ Consolidated Edison Co. of New York, Inc.
Nov. 20, Charles B. Delafield, Vice-President, announced company is planning an issue of approximately $55,000,000 of convertible debentures early in 1957, probably the latter part of February. They will be offered to common stockholders for subscription. Stockholders will be asked on Feb. 5 to approve an authorized issue of $125,000,000 convertible debentures. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.

★ Douglas Aircraft Co.
Nov. 19, Donald W. Douglas, President, announced that the company plans to issue and sell $25,000,000 convertible subordinated debentures. **Proceeds**—For expansion of facilities in order to place the DC-8 jet airliner into production. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and Kuhn, Loeb & Co., both of New York. **Offering**—Not expected until after Jan. 1, 1957.

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.

● General Public Utilities Corp.
Nov. 15, A. F. Tegen, President, announced that the stockholders are going to be offered approximately 647,000 additional shares of common stock (par $5) during the first quarter of 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).

★ Long Island Trust Co., Garden City, N. Y. (11/27)
Nov. 19 it was announced stockholders of record Nov. 16, 1956, are to be offered the right to subscribe on or before Dec. 14, 1956, for 14,000 additional shares of capital stock (par $10) on the basis of one new share for each eight shares held. **Price**—$32 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—A. M. Kidder & Co., New York. Stockholders will vote Nov. 27 on approving proposed financing.

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.

★ Mountain States Telephone & Telegraph Co. (1/29)
Nov. 20 the directors approved a proposal to issue and sell $35,000,000 debentures. **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.; Morgan Stanley & Co.; Drexel & Co. and Dean Witter & Co. (jointly). **Bids**—Expected to be received on Jan. 29.

★ National Bank of Commerce, Memphis, Tenn. (1/9)
Nov. 13 it was announced stockholders will vote Jan. 8 on approving a proposal to offer 25,000 additional shares of capital stock on the basis of one share for each five shares held. **Price**—$40 per share. **Underwriter**—Leftwich & Ross, Memphis, Tenn.

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**—Salomon Bros. & Hutzler, New York.

Oklahoma Corp., Oklahoma City, Okla.
July 26 it was announced company has been authorized by the Oklahoma Securities Commission to issue and sell in the State of Oklahoma $20,000,000 of its capital stock ($10,000,000 within organization and $10,000,000 publicly). **Proceeds**—To organize or acquire seven subsidiaries. **Business**—A holding company. **Underwriter** —None.

Pacific Northwest Power Co.
Aug. 13 it was reported company plans to sell about $32,000,000 of common stock to the organizing companies and that arrangements are expected to be made to borrow up to $60,000,000 on a revolving bank loan which will be reduced through the sale of bonds to institutional investors as well as the general public. **Proceeds**—To pay, in part, for cost of new power project to cost an estimated $217,400,000.

★ **Pacific Petroleums, Ltd.**
Nov. 19 it was reported company plans to offer $12,000,000 to $13,000,000 of debentures. **Underwriter**—Eastman, Dillon, Union Securities & Co. **Offering** — Expected in January.

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 up to noon (EST) on Nov. 29 at Room 1311, Suburban Bldg., Philadelphia 4, Pa., for the purchase from it of about $9,300,000 equipment trust certificates, series GG, due semi-annually from July 1, 1957 to Jan. 1, 1972, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Phillips Petroleum Co.
Sept. 24 it was indicated that the company next year will give consideration to refunding its $75,000,000 of short-term bank loans. After review, the company will decide the most appropriate type of long-term borrowing, whether it be insurance loans, long-term bank borrowing, convertible debentures or straight debentures. **Underwriter**—The First Boston Corp., New York.

Pittsburgh Rys. Co.
May 4 it was announced that Standard Gas & Electric Co. will offer to its stockholders rights to subscribe for 540,651.75 shares of Pittsburgh Rys. Co. **Price**—About $6 per share.

Public Service Co. of Colorado
Oct. 8 it was reported company plans the issue and sale of $30,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Lehman Brothers; Harriman Ripley & Co. Inc. **Bids**—Expected to be received early in 1957.

Public Service Co. of Indiana, Inc.
July 30 it was reported company may issue and sell about $30,000,000 first mortgage bonds. **Proceeds** — To retire bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Glore, Forgan & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly). Offering postponed.

● **Puget Sound National Bank of Tacoma**
Nov. 14 stockholders approved an offering of 25,000 additional shares of new capital stock (par $10) on the basis of one new share for each three shares held; rights to expire on Dec. 14. **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.

★ **Slick Airways, Inc.**
Nov. 15 stockholders approved an increase in the authorized common stock from 1,000,000 no par shares to 2,000,000 $5 par shares. It was stated that the company may issue and sell a convertible debenture issue or some common stock in order to raise $5,000,000. **Proceeds**—For purchase of new aircraft and working capital. **Underwriters**—Auchincloss, Redpath & Parker and Allen & Co., both of New York, handled stock rights offering early this year.

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.

★ **Southern Indiana Gas & Electric Co.**
Nov. 16 the company filed with the Indiana P. S. Commission an application for authority to issue and sell $5,000,000 30-year first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Blair & Co. Incorporated; Kidder, Peabody & Co.; Eastman, Dillon, Union Securities & Co.; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly). **Registration** — Expected early in 1957.

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.

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. **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.

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.

★ **Western Pennsylvania National Bank**
Nov. 13 it was reported Bank plans to offer to its stockholders 132,812 additional shares of capital stock on a 1-for-3 basis. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Office**—McKeesport, Pa.

Poverty and Its Causes

"All responsible citizens share the feeling that elimination of remaining poverty in America would not only bring greater happiness and opportunity to these people but it would draw them into the stream of progress, enlarge markets for consumer goods, and promote expansion of the economy. We might as well recognize at the outset, however, that there are practical limits on what can be accomplished. We will always have part of the population living on incomes that look low because they are under the general average. There will always be a problem of low incomes as long as people are free to choose what they want to do regardless of their qualifications for such work, where they want to live regardless of employment opportunities, and, finally, whether they want to work hard or take it easy."—First National City Bank.

And, we might add, rewarded with largesse for failure to be fully productive.

But we must hope that politicians who are so fond of screaming about poverty will sometime or other take these homely facts to heart.

Freedom we want, of course, but we must not subsidize unwise choices.

Prout With First Secs.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Harold B. Prout has been added to the staff of First Securities Company of Chicago, 134 South La Salle Street, members of the Midwest Stock Exchange. Mr. Prout who has been in the investment business for many years was recently with Reynolds & Co.

Lincoln McRae, Inc.

ROCKLAND, Me. — Lincoln E. McRae, Inc. has been formed with offices at 292 Main Street, as successor to the investment business of Lincoln E. McRae. Lincoln E. McRae, Jr. is President and Treasurer. Lincoln E. McRae is a director of the new organization.

With Wilson, Johnson

(Special to The Financial Chronicle)

San FRANCISCO, Calif.—Leona M. Midgley is now associated with Wilson, Johnson & Higgins, 300 Montgomery Street, members of the San Francisco Stock Exchange.

With Schwabacher & Co.

(Special to The Financial Chronicle)

SAN JOSE, Calif.—Frederick C. Dorr has become connected with Schwabacher & Co., Bank of America Building.

Two With Creger

(Special to The Financial Chronicle)

WHITTIER, Calif. — Ralph M. Vecchi and Richard V. McLane are now with J. D. Creger & Co., 124 North Bright Avenue.

Two With Norman Dacey

(Special to The Financial Chronicle)

BRIDGEPORT, Conn. — Harold M. Brummer and Arthur I. Moll are now with Norman F. Dacey & Associates, 114 State Street.

Smith, Ramsay Adds

(Special to The Financial Chronicle)

BRIDGEPORT, Conn.—Alan E. Kele and Benedict A. Marciano are now with Smith, Ramsay & Co., Inc., 207 State Street.

Cooley Adds Two

(Special to The Financial Chronicle)

HARTFORD, Conn.—Donald Y. Goss and Charles Simon have become affiliated with Cooley & Co., 100 Pearl Street.

Mutual Funds

By ROBERT R. RICH

SEC May Change Its Mind

As a result of the strong opposition which was expressed Thursday and Monday to the Securities and Exchange Commission over its proposed changes to the Statement of Policy, it now looks as if the SEC may do considerable back-tracking. The Statement of Policy is a set of rules which controls oral, visual and written communication between mutual funds, their dealer network, and mutual fund shareholders and the general public.

Basically, the SEC changes are based on the fact that the mutual funds' performance in the last ten years has been too good. The SEC, in its six revisions to the Statement of Policy, wants to deflate this mutual fund performance as it is shown in the well-known ten-year past performance charts.

For all practical purposes, three of the revisions will deflate fund performance, and three will tend to discourage investors from putting their money in mutual fund shares

Among those appearing at the hearings to oppose the changes were James M. Landis, a lawyer who was formerly dean of Harvard Law School and Chairman of the Securities and Exchange Commission; Louis Barry, Rhode Island Securities Administrator and Chairman of the Investment Companies Committee of the National Association of Securities Administrators; Jerry Thomas, Florida Securities Administrator; Frank Hunter, Chairman of the Board of Governors of the National Association of Securities Dealers; William Shelley, Chairman of the Investment Companies Committee of the NASD; Lucille Tomlinson, recognized investment company authority, and spokesman of the National Association of Investment Companies, including Robert Clark, Edward B. Burr and Vincent Broderick.

In depicting investment experience, the SEC does not want the $8 billion mutual fund industry or its dealers to show the "compounding" results of reinvested capital gains; it does not want, in periodic payment plans, to have results show reinvested income dividends or capital gains, and it wants to extend the ten-year time limit in past performance charts and tables.

The SEC wants mutual funds to include a two-paragraph explanation with every reference to capital gains, to emphasize further the Commission charges on fund shares, and to show yield, not based on original cost, but by relating the annual dividend to the average offering price.

The opposition based its case on the concept that the Statement of Policy should be a Statement of Principles. The test should be, it said, whether, for any one rule, the SEC would risk litigation by issuing a stop order if the rule were violated.

The SEC was warned that if capital gains were not shown as reinvested, but instead a separate "bar" in the chart were to show net assets, capital gains, and investment income, shareholders would be misled into believing that there were two sources of income from mutual funds. The industry, and the SEC in a moment of rationality, has recognized that capital gains are a return on capital and should be treated so.

It was also pointed out that the revisions would mean a suppression of legitimate information.

Investors in October Opened A Record 15,986 in Plans

Investors opened in October a record number of 15,986 new accumulation plans for the regular purchase of open-end investment company shares, according to Edward B. Burr, executive director of the National Association of Investment Companies.

This compares with 13,835 new plans opened in September and 9,430 a year earlier. So far this year 142,394 new plans have been opened as against 93,957 for the first 10 months of 1955.

Reporting today on the Association's 134 open-end member companies, Mr. Burr noted that nine mutual funds with combined assets of $35,319,000 became members of the Association in October. As of Oct. 31, net assets of the 134 companies amounted to $8,663,-290,000. Assets of the 125 companies which were Association members on Sept. 30 were $8,-505,960,000 and $7,216,241,000 on Oct. 31, 1955.

Investor purchases of new shares in the 134 member open-end companies amounted to $114,-926,000. Comparable figures for 125 member companies were $101,051,000 in September and $91,528,000 in October of 1955.

Share redemptions amounted to $31,398,000 in October, as against $30,737,000 the month before and $32,346,000 in October last year. Cash, U. S. Government securities and short term obligations held by the 134 mutual funds totaled $496,183,000 at the end of October, compared with $504,932,000 at the end of September.

Vance, Sanders Seminars Here Well-Attended

Approximately 90 independent investment firms in the New York metropolitan area were represented at the Hotel Statler this month. The seminars followed similar meetings earlier this year in Boston, Chicago, Cleveland and St. Louis.

Although initiated by Vance, Sanders & Company, as the country's leading underwriter of mutual fund shares sold through independent investment dealers, the sales training program is a cooperative effort in which costs are shared by Vance, Sanders and the registrants.

Because of the round-table nature of the seminars, participation in the case history solutions is limited to 120 persons. Due to the widespread interest among dealers, it was necessary in some instances to make reductions in the number of places requested by individual houses. To assist those who could not be accommodated at this time, another New York seminar program is planned for early next year.

Commenting on the seminars already held, Henry T. Vance, senior partner of Vance, Sanders & Company, said: "While this sales training program was designed in many respects for newer and relatively inexperienced salesmen, comments from dealers indicate that it is also of interest to others who have been successful in selling mutual funds for a number of years."

Guest speaker at the opening session was John P. Sullivan, Vice-President of the Marine Midland Trust Co., of New York.

Chairman of the meetings was Richard Platt, of Boston, a partner of Vance, Sanders & Company.

Other Vance, Sanders partners who participated in the discussions were: Herbert I. Shaw and David T. Sanders, of New York; Robert L. Osgood, Thomas A. Baxter and Arthur H. Haussermann, of Boston; and Kimball Valentine, of Washington, D. C. Following the New York meetings, it is planned to hold the next seminars in New Orleans on Dec. 13-14.

Managed Funds Warns Holders of Renewed Inflation

Analyzing recurring fears of inflation, a November report by Managed Funds just released, warns that business can "no longer stand as a buffer between wage-earner and consumer."

The report sees the general increase in price levels today as "one significant difference" between the current rise in business activity and last year's business upswing.

"Despite the Federal Reserve's restraint of credit," the business report states, ". . . you can't control prices very long if you can't control wages.

"Of the $20 billion increase in Gross National Product (over 1955), $12 billion resulted from price rise. To date, the effect of this on the consuming public has been minor. Producing industries have done their best to absorb the higher costs rather than pass them on to the public.

"Nevertheless, the cost of living index, which after three years of stability began edging upward last February, reached an all-time high in September. Now it is beginning to appear that business can no longer stand as a buffer between wage-earner and consumer.

"For the wage-earner whose income rises as fast or faster than the prices of the things he buys, this will not be so bad. But those whose incomes are fixed are likely to feel the pull on their purse strings."

Between June of last year and June of 1956, hourly earnings in all manufacturing industries rose about 5%, making it necessary for many companies either to increase or request increases in their pricing structures.

Using the automobile industry as an example, the analysis discounts recent rises in retail car prices as "trade-in inducements," but notes that, by the close of the 1956 model season, dealer profit margins reached the "irreducible minimum."

"The price increases on the 1957 models," Managed Funds cautions shareholders, "will have to be borne by the buyer. Thus, they are definitely inflationary in nature."

Offshore to Cost Less Than Onshore Oil, Bullock Reports

In spite of larger initial outlays, it is now felt that the production of oil from offshore wells in this country will prove more economical in the long run than onshore operations, with the higher costs of drilling more than offset by other factors.

According to the November "Perspective," just published by Calvin Bullock, Ltd., managers of mutual funds with assets totaling more than $400,000,000, lower overall costs are anticipated chiefly because of the greater magnitude of the offshore deposits as well as the extremely favorable discovery rate, which to date has resulted in a 41% success ratio for wildcats offshore compared with an average of 11% on the United States mainland. To a great extent, this factor reflects the physical characteristics of the offshore oil.

Salt domes, which are among the easiest formation to detect by geophysical methods, form the basis for the principal producing structures, the report says.

"Domes of the magnitude and numbers encountered in the tidelands area are not commonly uncovered. As a result, the costs of locating prospective offshore oil formations to be tested by the drill are not only generally less than on the mainland because of the nature of the deposits but, when compared with deposits of like nature nearby, are also often less because of the accessibility factor."

Another advantage often cited in favor of offshore oil from a cost standpoint, the publication points out, concerns certain benefits in the manner and type of leasing. The basic unit for offshore leasing generally consists of a block of approximately 5,000 or more acres, a great deal more than the units usually available on the mainland. Thus more economical spacing is possible, necessitating the drilling of fewer wells, and, since only one landowner is concerned, there is less expense and fewer problems involved.

In addition, there is more generous allowable treatment, in that wells offshore currently are permitted to produce 50% more than counterparts on the mainland. If this favorable ratio holds in the future, higher income per well will be available to pay off the greater costs of offshore drilling. And these costs are high.

One of the most active major oil companies in offshore drilling, the Bullock report says, has stated that, on an overall basis, including the many auxiliary facilities required, an offshore well will cost approximately three times as much as a similar well drilled on the mainland of the Gulf Coast region. Another very prominent producing company in its 1955 annual report indicated the relationship as more than four times with an average of $478,900 for 32 offshore wells compared with an average cost of $114,000 for 825 wells drilled offshore during 1955.

"The lack of economical marketing facilities has held back production to some extent," according to the Bullock survey. "Crude oil produced in fields not served by pipeline is transported by barges which are subject to interruption by adverse weather conditions. Pipeline facilities on the whole are inadequate, and, with few exceptions, such transportation is available only for wells relatively close to shore and in the vicinity of the Delta area. It appears that before very substantial progress can be expected in realizing the potentials of offshore petroleum deposits, efficient transportation must be provided."

Calvin Bullock reports that, "there is little doubt that offshore oil represents a major addition to conventional domestic oil resources and that in the coming years increasing quantities of oil and gas will be obtained from this source. One of the largest major oil companies terms offshore oil 'the brightest spot for the domestic oil industry,' and the industry has already invested more than one and one-quarter billion dollars.

"It would appear," the survey concludes, "that the full realization of this potential lies some years ahead inasmuch as emphasis is currently on exploration rather than development of production. Barring any change in this policy therefore, profits from offshore oil will generally not be of particular significance in the very near future."

Chemical Outlook Clouded; Steels' Called Bright

"Although the long-term growth prospects for the chemical industry are unquestionably still promising," W. Linton Nelson writes in Delaware Fund's latest report to directors, "many investors are now soberly reappraising the immediate outlook for this industry in the light of recent earnings reports."

He describes the latter as "rather disappointing," but observes they "serve a good purpose since they will tend to bring reality out of romance."

The mutual fund executive points out that under the present makeup of the Dow-Jones Industrial Average, chemical stocks currently account for more than 22% of total value. "Hence," he reasons, "any movements in this group opposite to the general movements of other stock groups could create a distortion which would give an erroneous impression of what is actually happening in the market as a whole."

Mr. Nelson then cites an article in the August issue of the Financial Analysts magazine describing the steel industry as "one of the country's most dynamic growth industries" and favorably comparing its major participants with outstanding chemical companies. The article, he says, defined "growth" as "'actual earnings per share' . . . the fundamental basis on which all long-term valuations must finally rest." The fund president lists Delaware's present holdings of steel equities at approximately 11% of total net assets; chemicals at less than 3½%.

Wellington Sets Record Payment In Dividends

Wellington Fund on Nov. 15 declared its 108th consecutive quarterly dividend. The dividend consists of 12 cents a share from net investment income and a special year-end distribution of 45 cents a share from net realized securities profits. Both dividends are payable Dec. 27, 1956, to shareholders of record Nov. 30, 1956. The 108th consecutive quarterly dividend declared today set two new records. First, it is the largest total amount ever distributed by Wellington Fund. Second, it will be distributed to the largest number of shareholders in the fund's history. The current dividend declaration will involve the disbursement of $5,316,000 from net investment income and $19,283,000 from net realized securities profits of the fund. More than 190,000 shareholders, the largest number in history, located in every state of the union and more than 30 foreign countries, will participate in the current dividend distribution.

Including the 108th consecutive dividend declarations, shareholders have received a total of $89,463,000 from net investment income and $72,270,000 in special distributions from net realized securities profits in the last 27 years.

Television-Electronics Fund announces that $7,582,200 will be paid out to the more than 70,000 shareholders of the fund in the U. S. and abroad on Nov. 30 in the form of dividends from investment income and distributions from realized securities profits. This amount, 45% higher than the disbursement made to shareholders in 1955, is the largest annual distribution in the fund's eight-year history and is equivalent to 12.6 cents per share from income and 55.7 cents per share from capital gain on the more than 11 million shares now outstanding.

Since the fund's inception in the fall of 1948, a total of $18,213,560 has been paid to shareholders whose number has grown from less than 50 to the current figure. On a per share basis, these distributions were equivalent to an eight-year total of $2.31 from investment income and $2.33 from realized capital gains. The initial offering price of the fund when first offered to the public in September 1948 was $4.91 adjusted for a two-for-one split in the stock effected in January 1954.

Group Securities is paying dividends from net invesment income and distributions of securities' profits in excess of $5,000,000 to more than 35,000 shareholders. The total figure is made up of more than $1,200,000 in dividends from net investment income and over $3,800,000 in distributions from net profits realized during the year. These figures bring total dividends from income since Group's inception to more than $47,000,000 and total distributions of profits to over $21,000,000.

The profits distributions were large enough to be declared in shares, with cash optional, on 14 of Group's 21 funds. The company recommended that these distributions be taken in shares, pointing out that shareholders who elected to do so last year "have had gratifying increase in their income from the dividends on the larger number of shares owned. On a per share basis, dividends paid in 1956 were higher than those of the preceding year in 14 cases, lower in two, and the same for the remaining five. Adjusted for the acceptance of last year's optional distributions in shares, all but three were higher and of those three, two were bond funds."

Fox-Martin Elected By Sales Executives

The Sales Promotion Executives Association, Inc. announced the election of Milton Fox-Martin to the national board of directors of the Association.

Milton Fox-Martin

Mr. Fox-Martin is manager of dealer relations for The Wellington Company, sponsor and distributor of the $500 million Wellington Fund and is a Charter Member of the SPEA.

He is also President of the Sales Promotion Executives Association of Delaware Valley, Inc. The latter organization, which serves as the Philadelphia Chapter of the national association, was formed by Mr. Fox-Martin and other leading sales and promotion executives in the Greater Philadelphia area last Spring.

Atherton W. Hobler, Chairman of the executive committee of Benton and Bowles Inc., advertising agency, and one of the best-known advertising and marketing authorities in the country, has been elected a member of the board of directors of Future Planning Corp., a mutual investment fund sales organization.

Lawrence A. Sykes has been elected president and director of Massachusetts Hospital Life Insurance Company, trustee of the Massachusetts Life Fund, a balanced mutual fund, it was announced recently. He succeeds the late Kennard Woodworth.

Prior to his election, he was vice-president and director of research of Fidelity Fund, Inc. Before that he was an assistant treasurer of John Hancock Mutual Life Insurance Company in the investment department. Prior to Naval Service in World War II he was associated with a New York investment banking firm. A graduate of Dartmouth College and Harvard Business School, Mr. Sykes has been in the financial field for more than 20 years.

Massachusetts Hospital Life Insurance Company is the nation's oldest corporate trustee and is considered the originator of the modern mutual fund concept. Since 1823 all trusts have been invested in a common fund which in 1949 was reorganized as Massachusetts Life Fund, a balanced mutual fund.

Harry L. Sebel, president of Selected Investments Company, national distributor of Selected American Shares, Inc., has announced the election of John H. (Doc) Kasbeer as a vice-president of that firm.

Mr. Kasbeer has been in the investment business since 1919. He has been with the Continental Illinois National Bank, the Chase National Bank, Kidder, Peabody & Co., and, for the last six years, the Wellington Company as a wholesaler of Wellington Fund shares. He is a member of the Bond Club of Chicago.

He will engage in the wholesale distribution of Selected American Shares, Inc., servicing dealers in Chicago, central Illinois, Indiana, eastern Michigan and Ohio.

Closed-End News

Holders of Tri-Continental Corporation common stock will have received by the end of 1956 a total of "around $2" on their shares, currently selling around $27, Francis F. Randolph, chairman of the board and president, told the New York Society of Security Analysts.

This amount includes a 50-cent extra dividend, paid in February on the basis of a subsidiary's earnings, he explained, adding that the nation's largest diversified closed-end investment company expects to pay another extra dividend next year, although less than the amount paid in 1956.

Mr. Randolph brought out that the stock, which opened the year with a market price of $25¾ and traded between 24¾ and 28¾ throughout the year, was now selling at about $27 despite some 800,000 new shares coming into the market in 1956 from exercise of warrants and subsequent sale of the common stock received in arbitrage type transactions.

"You would say," he commented, "that it would be impossible to pour that many new shares on the open market and not break the price of the stock badly."

It is believed that some 325,000 of these shares were purchased by investors in England and Scotland, the chairman disclosed. He expressed the belief they were the "long term" type of investor, and told the analysts that London investment brokerage houses have been giving Tri-Continental approving write-ups in recent months.

Mr. Randolph gave as a general reason for splitting off the public underwriting activities formerly conducted by Tri-Continental's subsidiary, then known as Union Securities Corporation, the fact that this portion of the operation and the investment company management portion had both grown "too big for joint management." As the basic undertaking of Tri-Continental is investment management, he said, the public underwriting activities were separated.

Business Man's Bookshelf

Business Action in a Changing World — Henry C. Thole and Charles G. Gibbons — Public Administration Service, 1313 East 60th Street, Chicago, Ill. (cloth) $5.

Compact Power by Yardney — Booklet giving complete set of technical data sheets on latest physical and electrical specifications of available cells and batteries — Yardney Electric Corp., 40-50 Leonard Street, New York 13, N. Y.—On request.

Conference Leader's Guide for Supervision of Scientific and Engineering Personnel—John T. Lloyd and Robert D. Gray — Supplement to "Supervision of Scientific and Engineering Personnel" — Industrial Relations Section, California Institute of Techonology, Pasadena, Calif.—Both volumes as a set—$8.75.

France Overseas — Press and Information Division, French Embassy, 972 Fifth Avenue, New York 21, N. Y. (paper).

Glossary of Electric Terms, Financial and Techincal—Edison Electric Institute, 420 Lexington Avenue, New York 17, N. Y. (paper) 50c (quantity prices on request).

Handbook of Commercial, Financial and Information Services —Special Libraries Association, 31 East 10th Street, New York 3, N. Y.—$5.

Continued from page 6

Whose Responsible for Inflation —Government or Business?

down out of Europe and Asia, the world's greatest land mass. The lading of ships, however, in those days was mostly light merchandise and it was not until the last half of the past century when the rails enabled us to tap our coal, cement and ore that heavy industry evolved. Fortunately, our form of government, so wisely founded, was yet too young to hamstring business after the foreign fashion. Hence, our native enterprise, stimulated by the prospect of unlimited and untaxed gain, took advantage of that cheap transportation and our natural resources to create a standard of living that can only be appreciated by traveling abroad.

We can be grateful that this combination of circumstances took form about the Great Lakes and not the Black Sea. Our ton mile rate by rail is only a fraction of what is in other countries, adequate explanation in itself of the vast disparities in our standards of living. Those Americans who loathe Capitalism should be confined, say for 10 years, to some of these over-governed and under-railroaded foreign countries they prod us into emulating. Only in Germany is our industrialization closely approached. So great is the contrast in poverty as we get nearer the Iron Curtain, we easily see why Russia with the help of most of the rest of the world failed twice to defeat Germany until we allied ourselves, first, with the Imperial Czar, and then with his Communist murderers. Today, if it were not for the atom bomb, which we gave her, we could force her back into her own borders with no more cost than an ultimatum, so internally rotten she is.

West Germany, miraculously restored, despite our postwar demolition gangs, could redeem the Poland we encouraged to resist her and then treacherously betrayed. Yes, Germany could completely neutralize and contain Russia if we would only let her, thus relieving us of our occupation costs, the deadly peril in the Mid-East to say nothing of the Far East, and all that we spend on our mercurial allies.

Anti-Rail Discrimination

Penalize Ford, duPont, General Electric, with British or French socialized rail rates and service and their wonder products would wither into a fraction of their present volume, conceding that they could have been achieved in the first place.

It would take 450 truck drivers to move the coal that can be moved by only five men in a 150 car train, and two of these five are feather bedded. Neither the truck nor the bus could possibly compete with the rails if they paid for their own rights-of-way; nor could our subsidized airports have been brought into being if their steel and concrete had not reached them by rail.

It is only because our harbors and waterways are served by the railways, built and dredged by the taxpayer and protected by our rate makers, that even water can survive rail competition. The boat not only consumes more fuel but it requires 34 men to move the ore that five men move by rail, and the rail moves it faster.

You would think then, reward being a function of service, the railroads would be rich. Instead, since 1929 their rate of return on investment has averaged only 3.4% and in no peacetime year since 1930 has it exceeded 4.3%. Because of cheap political pressures from members of the Cabinet and Congress on the Interstate Commerce Commission and because of the resulting timidity of railroad men, the traffic of this rich country has not been made to bear its fair share of transportation costs—a sop to the pressure groups which in the end has meant only higher rates and poorer service. This Republican year, supposedly favoring big business, was ironically not nearly so good for us as our last years under the New Deal. Could there be a greater warning against encroaching government than this sorry record of our first big regulated industry?

The Roads' Plight

More than one-third of the nation's freight cars and two-thirds of its passenger cars are over 25 years of age. Many are 35 and 40; and the rust and rot advance. Superimpose a national emergency, and where would we be? If current rate relief requests are not granted in full your two largest railways may be forced to stop buying passenger equipment for all time. We have just faced a shortage or at least 100,000 freight cars, one billion dollars' worth, from which nearly every business suffers. To replace every car over 20 years of age would require $12 billion and it would pay for itself out of savings. Large immediate expenditures would be no less self-amortizing in many other areas of railroad physical plant; but how can you borrow at 5½% to renew a plant which earns 3%? A 10% decline in our car loadings and most of us would be at the brink of bankruptcy, so small are our reserves and narrow our margin of profit. And in the face of these well-known needs of our railroads there are those who advocate defense and relief expenditures just as a means of keeping our people employed.

Local public servants force us to continue marginal rapid transit services of a trolley car type which they themselves have long since abandoned, scores of trains that average only a handful of passengers a day. At the same time other public servants grant subsidies to the airways and highways which threaten the continuance of main line trains. Can such discrimination and regulation by any stretch of the imagination be in the public interest?

Destructive Taxation

And at the top level, supposedly, of national enlightenment, Congress recently threw out the excise taxes on admissions to movie theatres but continued them on admissions to passenger and freight trains, the one forced to carry more than 95% of our troops and the other more than 90% of our freight in the last war. Imagine, imposing a special excise tax on our only all-weather freight and passenger service, essential to troop and civilian movement, which already loses $700 million a year on its passenger trains. The tax on freight is an added inducement to already rich industries to go into self-transportation so that they get richer and the rails poorer. Cannot those responsible for such follies see that if the finished product goes out by truck they must pay more for the raw materials to come in by rail?

This I know: sound railways in America are a hundred times more important to us, even to France and England, than the Suez Canal. Yet, the rails are left to the mercy of cheap politics while for Suez solemn treaties are torn up, and five nations blaze away at each other with munitions freely furnished at the expense of you and me and these railroads. Indeed, Mr. Malenkov is smiling. Yes, here we sit, our railways unequal to their peacetime tasks, while millions of our dollars were poured into foreign railways. It makes one wonder doesn't it? Could Russia have been a straw man? Here is an hypothesis which would explain. Yalta, Hiss, Berlin, China, Korea, and many other riddles. Otherwise, how can the Office of Defense Mobilization close its eyes to our Achilles heel, our railroads.

Rail Service a Butt

Yes, this great rail service that does so much for our defense at no cost to the taxpayer has been pauperized and made the butt of politicians, newspapers, taxing authorities, ambulance chasers, college professors, and government agencies for a full generation, while its rapidly growing competitors are subsidized and tax exempted. There are those who loathe capitalism because they feel frustrated in it; but, we have other more dangerous internal foes who are fully as energetic and ingenious as tycoons. Most men are builders; a few, are wreckers. Indeed, I fear that if we of the right fall it will be because, busy at the top, we underestimated the sappers at our foundation. Be that as it may, the rails being the very core of our capitalistic system, it is not hard to see why its enemies have made them their first line of attack. If they go, the rest will not be slow to follow.

Abuse by Government

Our inflationary troubles then are not of business unless we are to blame ourselves for having failed to give the lie to the cooly calculated mis-education of an otherwise conservative and intelligent people. For, it is the inflation and abuse of credit by government, not by business, which threatens to stall our rising standard of living and to strike at the heart of private enterprise.

The miracles of transportation and business have so far checked the degenerative forces of progressively burgeoning government but the beginnings of capital shortage indicate that the string has about run out.

We can stop inflation, we can reduce taxes, we can stop squandering abroad our essential resources and the flower of our youth. Indeed, we can return peace to the world, but only by seeing that real issues, and not personalities, decide our presidential elections. The results of this last, while a high tribute to our President, were a well-merited rebuke to his party, because even with his enormous help it lost the Congress, the first time in 108 years a President has failed to carry his Congress. Yet, our people are divided ten to one on the vital questions of war, taxes, labor monopoly, and foreign relief, to which the Democrats were once so peculiarly vulnerable. If the Republicans had critically debated these issues they could have made a clean sweep of the Congress and held it continuously since 1940. Yet, for some strange if not sinister reason, our two political platforms, for five Presidential elections, now, have been so controlled as to scotch, whatever happens, any debate of those policies which the most of us fear and condemn.

Sell Economic Truth and Sanity In Foreign Policy

It becomes, therefore, far more important to business to sell economic truth and a foreign policy of national sanity than it is to sell soap. For, it is as alarming as it is incredible that 61% of our high school seniors, for example, do not believe in the need for profits; 82% do not believe we have competition in business. This can only reflect equal ignorance at home. Yet, we in our advertising budgets are the only visible means of support of the communications system in this country, some of whose writers and commentators, taking their lead from Washington, distort the statements and policies of big business to its discredit and burn the midnight oil to aid the world meddlers of both parties in suppressing our majority views. If we do not organize to out persuade them, they will one day purge us. Even now their neglected and underpaid mentors hold most of the key spots in Washington, irrespective of party; reason enough for the fact that we seem always to have two policies, a good one and the real one. For, our Cabinet Members and Congressmen are easily diverted, busy as they always are with the next election because our insane system of re-election forces them to be. Most of our statesmen, educators, broadcasters and publishers, equally plagued by this fifth column, would welcome the help of business in restoring our country to its once high standards.

Our President has already urged upon Congress the only constructive transportation legislation ever to originate in the White House. He shows encouraging signs of breaking away from the left wing foreign policy line of universal involvement. Enjoying the respect and devotion of our people as he does, he can achieve a complete reorientation of government policies to the wishes of the 90% without undue shock to our immensely vital economy. We believe he will seize this opportunity. If he does not, a champion of the majority will surely arise, as some day one will in Russia.

With Lester, Ryons

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif. — Doris S. Cole has joined the staff of Lester, Ryons & Co., San Diego Trust & Savings Bank. Mrs. Cole was formerly Vista, Calif., Manager for Fewel & Co.

United Cuban Oil, Inc. Stock at $1.25 a Share

S. D. Fuller & Co., New York City, and associates, are offering publicly 1,000,000 shares of common stock (par 10 cents) of United Cuban Oil Inc. at $1.25 per share. These securities are offered as a speculation.

United Cuban intends to use the net proceeds from the sale of these shares as follows: $677,000 for further drilling on and development of its Cuban concessions, including completion of certain drilling commitments; about $144,000 for the purchase of additional drilling equipment and supplies; approximately $80,000 for the purpose of exploratory drilling on its New Mexico oil leases; and for working capital and other general corporate purposes.

United Cuban Oil Inc. was organized in Delaware on Jan. 9, 1956 to consolidate production, development and exploration of oil and gas on certain concession rights on the north coast of the Republic of Cuba. Its principal executive offices are at 9100 Sunset Boulevard, Los Angeles, Calif.

DIVIDEND NOTICES

DIAMOND ALKALI CHEMICALS

3% Dividend on Common Stock

Regular Quarterly Dividend on Common Stock

The Directors of Diamond Alkali Company have on Nov. 15, 1956, declared a 3% stock dividend payable Dec. 24, 1956, to holders of Common Stock of record Nov. 26, 1956; and a regular quarterly dividend of 45 cents per share, payable Dec. 10, 1956, to holders of Common Stock of record Nov. 26, 1956.

DONALD S. CARMICHAEL, *Secretary*

Cleveland, Ohio, Nov. 15, 1956

DIAMOND ALKALI COMPANY

Chemicals you live by

EASTERN GAS AND FUEL ASSOCIATES

SERVING HOMES AND INDUSTRY WITH ESSENTIAL BASIC PRODUCTS

DIVIDENDS

COMMON STOCK — A regular quarterly dividend of 35 cents a share, payable December 28, 1956 to shareholders of record December 7, 1956.

2% SUPPLEMENTARY STOCK DIVIDEND — A supplementary stock dividend of 2% on the common stock, payable December 28, 1956 to shareholders of record December 7, 1956.

4½% CUMULATIVE PREFERRED STOCK — A quarterly dividend of $1.12½ a share, payable January 1, 1957 to shareholders of record December 7, 1956.

E. H. BIRD, *President*

250 Stuart St., Boston 16, Mass.

November 15, 1956

With Coburn, Middlebrook

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — Emil J. Shalling is now with Coburn & Middlebrook, Inc., 100 Trumbull Street.

Joins Coburn Staff

(Special to THE FINANCIAL CHRONICLE)

WATERBURY, Conn. — Frederick M. O'Neill is now with Coburn & Middlebrook, Inc., 35 Leavenworth Street.

Goodbody Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Thomas L. Wilkerson has been added to the staff of Goodbody & Co., 1 North La Salle Street. He was formerly with Stern Brothers & Co. of Kansas City.

DIVIDEND NOTICES

LOEW'S INCORPORATED

November 21, 1956.

The Board of Directors has declared a quarterly dividend of 25c per share on the outstanding Common Stock of the Company, payable on December 24, 1956, to stockholders of record at the close of business on December 6, 1956. Checks will be mailed.

CHARLES C. MOSKOWITZ, *Vice Pres. & Treasurer*

KENNECOTT COPPER CORPORATION

161 East 42d Street, New York, N.Y.

November 16, 1956

At the meeting of the Board of Directors of Kennecott Copper Corporation held today, a quarterly cash distribution of $1.50 per share, and a special cash distribution of $2.50 per share, were declared, payable on December 17, 1956 to stockholders of record at the close of business on November 30, 1956.

PAUL B. JESSUP, *Secretary*

Johns-Manville Corporation

DIVIDEND

The Board of Directors declared a quarterly dividend of 50c per share on the Common Stock, and, in addition thereto, a year-end dividend of 25c on the Common Stock, both payable December 14, 1956, to holders of record December 3, 1956.

ROGER HACKNEY, *Treasurer*

CYANAMID

AMERICAN CYANAMID COMPANY

PREFERRED DIVIDENDS

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of ninety-three and three-quarter cents (93¾c) per share on the outstanding shares of the Company's 3¾% Cumulative Preferred Stock, Series C, and a quarterly dividend of eighty-seven and one-half cents (87½c) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series D, payable January 2, 1957, to the holders of such stock of record at the close of business December 3, 1956.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of seventy-five cents (75c) per share on the oustanding shares of the Common Stock of the Company, payable December 21, 1956, to the holders of such stock of record at the close of business December 3, 1956.

R. S. KYLE, *Secretary*

New York, November 20, 1956.

Two With S. B. Franklin

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Max Bissinger and James M. Coleman have become affiliated with Samuel B. Franklin & Co., Crocker Building.

With Hill Richards

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—James M. Pidgeon is now with Hill Richards & Co., 120 Montgomery Street. Mr. Pidgeon was previously with Kaiser & Co.

DIVIDEND NOTICES

ELECTRIC BOND AND SHARE COMPANY

NEW YORK, N. Y.

Notice of Dividend

The Board of Directors has declared a quarterly dividend of thirty-one and one-quarter cents (31¼¢) per share on the Common Stock, payable December 28, 1956, to shareholders of record at the close of business on December 7, 1956.

B. M. BETSCH, *Secretary and Treasurer*

November 15, 1956.

CONSOL

The Board of Directors of PITTSBURGH CONSOLIDATION COAL COMPANY at a meeting held today, declared a quarterly dividend of 30 cents per share on the Common Stock of the Company, payable on December 21, 1956, to shareholders of record at the close of business on December 11, 1956. Checks will be mailed.

JOHN CORCORAN, *Vice-President & Secretary*

November 19, 1956.

Penn-Texas CORPORATION

DIVIDEND NOTICE

Common Stock

Preferred Stock

The Board of Directors has declared a 2½% stock dividend on the Common Stock and the regular quarterly dividend of forty cents ($.40) per share on the $1.60 Cumulative Convertible Preferred Stock.

Both dividends are payable December 31, 1956 to stockholders of record December 10, 1956.

SEYMOUR M. HEILBRON, *Secretary*

November 14, 1956

DIVIDEND NOTICE

FLORIDA POWER & LIGHT COMPANY

HELPING BUILD FLORIDA

A quarterly dividend of 32c per share has been declared on the Common Stock of the Company, payable December 21, to stockholders of record at the close of business on November 30, 1956.

R. H. Fite, *PRESIDENT*

P.O. BOX 3100 • MIAMI 30, FLORIDA

DIVIDEND NOTICES

J. O. ROSS ENGINEERING CORPORATION

NEW YORK, N. Y.

At a meeting held on November 16, 1956 the Board of Directors of this corporation voted to increase the regular annual dividend rate on the common stock from $1.00 to $1.20 per share, payable quarterly.

They also declared the regular quarterly dividend of 30c per share on the common stock, payable December 10, 1956 to stockholders of record at the close of business on November 30, 1956. [illegible]

J. F. FORSYTH, *Treasurer*

Stauffer CHEMICALS SINCE 1885

STAUFFER CHEMICAL COMPANY

DIVIDEND NOTICE

The Board of Directors has declared a dividend of 45¢ per share payable Dec. 1, 1956 and a stock dividend of 2% payable Dec. 14, 1956 on the common stock to stockholders of record as of Nov. 15, 1956.

Christian de Dampierre, *Treasurer*

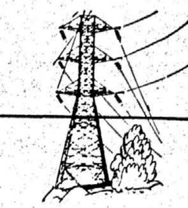
TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 36 cents per share on the Common Stock of the Company, payable January 2, 1957 to stockholders of record at the close of business December 3, 1956.

D. W. JACK, *Secretary*

November 16, 1956.



Southern California Edison Company

DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

ORIGINAL PREFERRED STOCK
Dividend No. 190
60 cents per share;

CUMULATIVE PREFERRED STOCK, 4.32% SERIES
Dividend No. 39
27 cents per share.

The above dividends are payable December 31, 1956, to stockholders of record December 5. *Checks will be mailed from the Company's office in Los Angeles, December 31.*

P. C. HALE, *Treasurer*

November 16, 1956

Edison

DIVIDEND NOTICES

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 50 cents per share on the 10,020,000 shares of the Company's capital stock outstanding and entitled to receive dividends, payable December 15, 1956, to stockholders of record at the close of business November 26, 1956.

E. F. VANDERSTUCKEN, JR., *Secretary.*

CORRECTION

TECHNICOLOR, Inc.

The Board of Directors has declared a dividend of twelve and one-half cents (12½¢) per share on the Common Stock ($1 Par Value) of the Company, and a dividend of twenty-five cents (25¢) 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 November 30, 1956.

DAVID S. SHATTUCK, *Treasurer*

November 13, 1956.

UNITED FRUIT COMPANY

230th *Consecutive Quarterly Dividend*

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable Jan. 15, 1957, to shareholders of record Dec. 7, 1956.

EMERY N. LEONARD, *Secretary and Treasurer*

Boston, Mass., November 19, 1956

TC TENNESSEE CORPORATION

TENNESSEE CORPORATION

November 14, 1956

CASH DIVIDEND

A dividend of fifty-five (55¢) cents per share was declared payable December 20, 1956, to stockholders of record at the close of business November 29, 1956.

EXTRA CASH DIVIDEND

An extra dividend of twenty-five (25¢) cents per share was declared payable January 10, 1957, to stockholders of record at the close of business November 29, 1956.

STOCK DIVIDEND

In addition, a 3% stock dividend was declared payable January 10, 1957, to stockholders of record at the close of business November 29, 1956.

The above cash dividends will not be paid on the shares issued pursuant to the stock dividend.

JOHN G. GREENBURGH, *Treasurer.*

61 Broadway

New York 6, N. Y.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Just about the most flourishing subject of discussion behind the areas in this Capital since Nov. 7, is the sad state of the Republican party. Despite the seeming good intentions of Number One, the party has been brought to a state bordering on chaos. The Democrats have their troubles, too, but they are not rated as comparable in difficulty with those of the Republicans.

As far as the Democrats are concerned, they are fresh out of leaders who at the moment stand unchallenged as the spokesman for the whole party. With the light vote Adlai Stevenson got, no pilgrims will be beating a path to his door, and his crown as titular leader of the party will wear very lightly, indeed.

Harry Truman, of course, put his all on the shake that he would stop Stevenson, and having failed, rates currently as something less than an elder statesman. So outside the Congressional ranks there is no avowed Democrat to whom the faithful may salaam even in courteous, if not sincere deference. There is no one to tie together the slender and shaky Democratic following in Congress.

As far as Congress goes, the Texas oligarchy of Speaker Sam Rayburn and Senate Majority Leader Lyndon Johnson is not altogether, to use the modern cliche, monolithic. They each have their serious differences on short-term tactics and long-term strategy now and then, but accord between any two top leaders in both Houses of Congress of the same party is rarer than cases of their two hearts beating like one. Then, too, Lyndon Johnson will have Herman Talmadge on his hands plus Frank Lausche who, having been made the target of the walking delegates, but having won notwithstanding, is sitting prettier than a monkey with a 100-lb. sack of peanuts.

Criticize Johnson

As is evident in the newspapers, Johnson is under a good deal of criticism because Eisenhower very obviously got a large proportion, if not a majority of the colored vote, judging by the city election statistics. The rantin' and rarin' boys like Hubert Humphrey think that Lyndon was all wrong for being too kind to southerners when there was that great big trough of White House patronage at stake.

As time wears on, the Democratic dilemmas probably will not look so formidable. Frank Lausche is expected to vote to give the Democrats the organization of the Senate, which they will retain barring bad luck on whose heart skips beating first.

Time will probably soften the perspective on Adlai, for many figured he never was the man to go up against Big Personality Boy, and there really was no one else. Then Stevenson, having made a reckless bet on the hydrogen bomb when he figured he was losing anyway on the "peace" issue, won't look quite so bad when it is realized that the [illegible]ods whom Eisenhower has [illegible] d[illegible]votedly and publicly [illegible]ed himself to, fouled up in [illegible]pt and Hungary the way [illegible] dice rolled for Adlai.

Johnson's moderation in time will be recognized — if impatiently by the rantin' and rarin' boys of the Democratic North — as something which is just inescapable if they want to get legislation through the Senate, where southerners, whether "liberal" or otherwise, are so heavily in the saddle.

Republicans Worse Off

Finally, however, what will put the silver lining in the Democratic Congressional picture is the blackness of the clouds that overhang the Republicans, both in and out of Congress.

As most professional politicos see it, the plight of the Republicans is simply awful.

Situation "Simple"

As "Mr. Big Brother" sees the situation of the Republicans, it is very simple. In his last wek's press conference he explained that it was all due to the fact that the people of the United States just don't trust Republican candidates for Congress and Governor to be "modern Republicans." It is apparent to Mr. Eisenhower, on the other hand, that the people do trust Mr. Eisenhower to be a Republican moderne, therefore, his big vote.

All the Republicans need to do is lavishly and earnestly to bring their votive offerings to the manger of "New Republicanism," and presto, they will go forth as victorious disciples.

Mr. Eisenhower was constructive in defining that "new Republicanism" which would put Republicans on the road to salvation. He defined the term in the last week's press conference. The Federal government "must take the lead" in seeing to it that wealth and production is so distributed (i. e., re-distributed) that no one shall suffer privation through no fault of his own. It will not be the Supreme Court which will adjudicate "fault," but the voters, and there may be more of the indolent than of the aggressive and energetic.

"New Republicaus" must also believe in the free enterprise system. Since the free price system is the central mechanism which arbitrates the distribution of wealth, that might be taken as a support of the free price system. But the day before the President qualified that, in accepting the resignation of one of his officials. "If the day ever comes when sound economic policies fail to serve the ends of social justice, our form of society will be in grave jeopardy," the President said.

Supports Hoffman

From the point of view of objective news analysis, it seems almost impossible to avoid the conclusion that the fondest personal and public objective of the President is to complete the re-making of the Republican party.

In the "campaign biography" of the Eisenhower Administration put out last spring with White House inspiration, it was asserted that the President became so exasperated with the "extreme right wing" (i.e., Republican conservatives) that he at one time contemplated building a new political party.

Then shortly before the election the idea was greened up again. This was in the form of the "Collier's" article by Paul Hoffman, an unquestioned Eisenhower intimate. The President did not repudiate the Hoffman thesis in the least; he only disputed that he could rub out of political life Senators Joe McCarthy, George W. Malone, and William Jenner.

Finally, at last week's press conference the President corroborated this objective.

Now that the President's time as Number One is by constitutional amendment limited to two terms, the President can be anticipated to plan for his large niche in history. All Presidents so plan, for any man who has been even a few months in the White House suffers from that entirely non-partisan disease, cancer of the ego. Now that the President can see ahead the day when he will step down, he can be expected to slave to serve the people in that mission to which he has dedicated himself, the re-building of the Republican party in his own image.

Building Falls Down

It is possible to skip, in delineating the problems of the Republican party, the ideological conflict. Many men who ran on the Republican ticket had the gravest objections personally to the enhanced income socialization program. However, with most, desire for office and personal economic theories are things upon which there can be reached a mutual accommodation. Political man is no less capable than any other man of reconciling personal conviction with seeming external necessity.

However, the President's plan of re-making the party just plain isn't working. Four of the stalwarts of "new Republicanism" failed to make the grade, namely McKay in Oregon, Langlie in Washington, Duff in Pennsylvania, and Thornton in Colorado, all outstanding 200 percenters.

There is a suspicion here that neither Mayor Wagner nor Carmine de Sapio were pulling on the rope. If Happy Chandler had not been fighting the older Democratic organization it is doubtful Morton would have won in Kentucky and even Cooper might have failed. Only Prescott Bush made the grade among the 200 percenters simply riding the coattails, and he ran 180,000 votes behind Eisenhower.

Before the election the most conservative Republicans began to waver. It looked like suicide to oppose Eisenhower, a Lloyd's policy to join up *en toto*. That myth has been dispelled.

Now Eisenhower is shown left without the power to punish old Republicans or reward "New Republicans," and his time is beginning to run out. The "liberal" crowd believes, of course, with the most ardent sincerity, that the reason the Republicans failed in Congress is that they didn't believe in the program of robbing one middle or upper class Paul to buy sixteen Peters.

There are still many Republicans, however, who believe that Republicans should offer a different brand of merchandise from the Democrats, even if superficially less socially leveling and superficially less expensive.

These Republicans hereafter will fear Eisenhower little and as each month drags along, his influence will abate.

Liaison Lacking

Nevertheless, it is clear that Eisenhower is going to travel the old groove. This means enhancing the man over the party. It means White House politics not party politics. It means that despite an army of high-priced liaison men, Eisenhower's personal day-to-day relations with Congress will remain poor. It means that Republicans, no matter how important their posts in Congress, will be denied patronage if they deviate in one out of four major policies. It means that policies will be first framed in the White House politbureau, and then will be passed on down to Congress, except that, as in the case of the framing of the Annual Message, the President will call his Republicans in to read it to them, will smile kindly upon them, and may even give them a free lunch.

If Eisenhower had in fact succeeded in electing a "new Republican" party he would for a time have been invincible.

Instead he failed but doesn't recognize why. The pursuit of the same techniques threaten, unless Dickey Nixon can some how take over the mantle, to bring chaos among Republicans. Meanwhile the drive is already covertly under way to persuade, if possible, Eisenhower to take in some one and adopt him to replace Nixon.

Something is likely to give, but few can predict the when or where if they do know the why and how.

[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

"I know I said put your stocks away and forget them—but I didn't say forget where you put them!"

Cronin With Reynolds

PHILADELPHIA, Pa. — Reynolds & Co., members of the New York Stock Exchange and other leading exchanges, announce that Edward J. Cronin has become associated with their Philadelphia office, 1526 Chestnut Street, as a registered representative.

Before joining Reynolds & Co., Mr. Cronin was associated with the Philadelphia office of Hornblower & Weeks. He graduated from St. Joseph's College, Philadelphia in 1941 and entered the United States Navy, leaving service in February, 1946. He joined the sales staff of Felt & Tarrant, Chicago office equipment manufacturer in 1946, leaving that firm in 1949 to join Hornblower & Weeks.