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EDITORIAL

As We See It

A distinguished Britisher, Henry V. Hodson, Editor of the "Sunday Times" of London, recently returned from an extended visit to this country, has some important things to say in last Sunday's issue of the New York "Times." As one would expect, he is quite articulate and accordingly is able to set forth forcibly some facts about the present British position in the world, and to make clear the why's and wherefore's of current British policy, particularly as respects the Middle East.

We take these passages from his account of things:

"Strategically we are part of Europe and our commitments on the Continent are a necessary expression of our vital interest. We are the power responsible for the present good government and future independence and democracy of a large part of Africa, as well as other territories around the globe. We are as dependent on the Middle East for oil—on which, with coal, our economy must largely run until atomic power comes into its own—as the United States is on Texas and the Gulf.

"We would starve without command of the seas, and this implies a concern for naval and air bases far from our shores.

* * *

"The idea of a great grimfaced military imperialism holding down subject peoples all over the world is ludicrous in these days. British colonial policy and practice are among the most genuinely progressive forces at work in the world today. I say with complete confidence that without the continuation of British imperial guidance,

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Previewing 1957 Outlook

By DR. GROVER W. ENSLEY*
Executive Director, Joint Economic Committee, U. S. Congress

Previewing 1957 prior to Joint Economic Committee staff's firm view of the economic outlook, Director Ensley anticipates a $420 billion GNP, in 1956 prices, or $430 to $440 billion based upon estimated average 2 to 3% price rise—assuming no significant international change. In breaking down the demand for goods and services that may develop, Dr. Ensley points out: (1) Federal, state, and local expenditures may rise $4 to $6 billion; (2) $14 to $15 billion consumer spending increase may occur if income, prices and population continue upward at recent rates, and auto sales improve; (3) 8 to 10% business investment rise for the year resulting from rising prices, a slight first half year rise, followed by a leveling off; and (4) net foreign investment should continue at $1 to $2 billion per year.

Grover W. Ensley

The word "preview" in the title of my remarks needs explanation. This is a preview of the outlook for 1957 in two different meanings of the word. First, it is a look at 1957 in advance of the detailed papers and discussions which could lead to some different evaluations of prospects by the time this outlook conference is summarized. Second, it is a preview in the sense that the Staff of the Joint Economic Committee has not arrived at a firm view of the economic outlook for 1957. Ordinarily, the Joint Economic Committee need not take a position with respect to the outlook until February or March, after the President's Budget and Economic Report are transmitted to the Congress and the budgets of some State and local governments as well as a number of surveys of business plans and consumer intentions

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*An address by Dr. Ensley before the Fourth Annual Conference of the Economic Outlook, University of Michigan, Nov. 15, 1956. The views expressed are those of the author and do not necessarily represent the views of the Joint Economic Committee or individual members of that Committee.

Trends and Prospects in Liquor and Wine Industries

In articles especially written for the "Chronicle," chief executives of leading companies present their views regarding current developments and a "look ahead."

The "Chronicle" again is privileged to present the opinions of the chief executives of some of the leading producers in the liquor and wine industries as to current developments and the long-range outlook for individual companies. These articles, especially written for the "Chronicle," begin herewith:

THOMAS J. DONOVAN

Vice-President & Executive Director, Licensed Beverage Industries, Inc., New York City

Thomas J. Donovan

Liquor industry public relations problems over the years have been many and varied, but the most significant of these has remained the organized opposition of the Drys. Since Repeal, the Prohibitionists have concentrated their propaganda attacks on the industry itself in an effort to restore prohibition by legislative tactics and various forms of harassment. Local option, anti-advertising bills, attempts to restrict legal hours of sale and other measures have been the major weapons in the Dry arsenal.

Time and circumstances have now brought a change in the Dry approach. They have run up the white flag on their attempts to restore immediate prohibition by legislation, realizing that until a sufficient number of Americans are frightened of beverage alcohol, no prohibitory measure can be effective. The Drys have therefore set themselves a long range goal to achieve prohibition by an attack on liquor itself, the purpose of which is to convince the public that beverage alcohol

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

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

E. J. Corvette Company—Morton Globus, of Dreyfus & Co., New York City. (Page 2)

W. R. Grace & Company—George V. Honeycutt, of Harbison & Henderson, Los Angeles, Calif. (Page 2)

MORTON GLOBUS

Dreyfus & Co., New York City

E. J. Korvette Company

A great retailing storm is brewing, ready to sweep across the country with the same swiftness that it raced across the face of Metropolitan New York. When it settles the nation may be blanketed by stores of a company not even in existence 10 years ago.

Morton Globus

Traded in the Over-the-Counter Market, Korvette sells around 17, down from a high of 26 earlier this year and up from the original public offering price of 10 in January. Estimated earnings for the fiscal year ended Sept. 30, 1956 are about $1.25 a share, but are expected to move sharply higher in the current fiscal year. These additional earnings will be generated by several new stores scheduled to open this fiscal year plus year-round operation of units opened only last year.

Korvette is the largest discount house chain. It is in the vanguard of a trend that may revolutionize methods of merchandising hard and soft goods, much as the supermarket completely changed the retail distribution of food.

And, oddly enough, the retailers on whom the discount houses are encroaching are almost helpless to do anything about it. To understand why, it is necessary to trace the reason for the emergence of the discount house.

The discount house arose because the conventional retailer—the small appliance dealer and the department store—were inefficient in the distribution of goods. Korvette and other discount houses have proved dramatically that by eliminating the frills in retailing they can effect substantial savings. These frills include credit, delivery, large sales forces, time payment plans, fancy packaging, elaborate counter displays, etc. In fact, Korvette's gross margin (as a % of sales) averages 20% vs. 36% for department stores.

Take the customer purchasing a brand name radio carrying the manufacturer's guarantee. The manufacturer's advertising has "sold" him the radio, he has the cash to pay for it, and he certainly can carry it out of the store with very little effort. Intelligent consumers have come to realize that it is utterly senseless for them to pay list price which includes the regular retail markup. They know if they do they are paying for all the services and frills that they neither use nor want. (On big ticket appliances where delivery is a physical necessity, Korvette provides for it, but bills the customer separately for the service.)

In order for the coventional retailers to compete with discount houses they would have to radically alter their present services. But to do so would place them in jeopardy with their many customers who want to keep the traditional services and frills.

However, the discount house pressure has been so intense that department stores have been forced into price competition on many items. But as long as department stores remain "department stores," they will be on the defensive. This immobility on the part of conventional retailers literally has left the whole country wide open to Korvette.

In the meantime, Korvette has broadened its activities far beyond selling only appliances and other hard goods. Using its price cutting reputation in hard goods as a lever, Korvette has gone heavily into soft goods so that they now account for about 40% of the total volume.

But the young, fast-stepping company hasn't even stopped here. Again using its name as a lever along with the fact people like to do all their shopping in one place, Korvette has successfully invaded the supermarket field.

Plenty of arguments can be mustered showing why a newcomer like Korvette of the discount house generally is a passing fad. But nothing speaks louder than success. Korvette's sales rose from $2 million in 1950 to $36 million in 1955 to an estimated $55 million in 1956, and are now going at an annual rate of $65 million. What's more, new stores to be opened next year are expected to step up volume to a $150 million annual rate before 1957 bows out.

To achieve this in a field as competitive as retailing requires some special ingredient. After all there are numerous discount houses, but what makes Korvette tick a little faster than the others?

The answer is a young, aggressive management which has demonstrated unusual skill in almost single handedly creating a new form of retailing, i.e., the department store discount house chain with or without supermarket attached.

Korvette now operates 12 stores. Two of these are classified as department stores. They contain over 70,000 square feet of selling area each. The company's two supermarkets are adjacent to them.

Over the next year or so plans call for adding seven new stores, each with about 50,000 or more square feet of selling space. Each new unit is expected to sell between $12 and $25 million worth of merchandise annually. The stores will be built in Philadelphia, in New York City, another north of it near Scarsdale, three in New Jersey, and one in Poughkeepsie.

But why out of all the discount houses does Korvette appear destined to become the Sears & Roebuck of its field? There are several reasons:

(1) It has gotten a head start, and is off to a big lead—always difficult to overcome in any economic sphere.

(2) Management has the good fortune of not being schooled in the "old" methods of merchandising; all the top people grew up with the company.

(3) The company has gone to considerable expense to train cadres of executives and supervisory personnel so that its new stores will speedily reach optimum efficiency ($100 million of additional sales could be handled with only a small increase in supervisory people and office help).

(4) Lastly, Korvette has the funds to finance its present expansion program.

The program will cost about $8 million in 1957. Of this $2 million is available from last January's public offering of stock another $3 million from earnings, and the balance will be borrowed from banks. As Korvette has no long-term debt outstanding it is in an excellent position to borrow, when necessary.

Gradual appreciation in the stock should be a natural outgrowth of the simple mathematical principle of reinvesting earnings in a growth industry to create more earnings. By limiting cash dividends (none are currently paid on Korvette stock) the company has available a large and growing pool of funds. These factors seem to indicate that Korvette's future expansion plans can be accomplished without common stock dilution.

Korvette has 1,242,000 shares outstanding of which management owns half. In addition there are warrants outstanding expiring Nov. 30, 1959 for purchase of 75,000 shares at $11 each, and employee stock options expiring Dec. 31, 1959 for purchase of 51,800 shares at $10 a share.

Shortly after the forthcoming Annual Report for the year ended Sept. 30, 1956 is published, it is understood the company will apply for listing on the New York Stock Exchange.

GEORGE V. HONEYCUTT

Harbison & Henderson

Los Angeles, Calif.

W. R. Grace & Company

My selection at this time for "The Security I Like Best" forum is W. R. Grace & Co. Common Stock. In my opinion, this security is a high-grade growth issue that is still available at a reasonable price-earnings multiple.

George V. Honeycutt

Currently, the stock is selling at approximately $55 per share, with earnings for 1956 estimated at $4.50 to $5.00 per share. Dividends have been paid in each year since 1899—except for 1909 and 1933. The current rate is 60¢ a share quarterly, or $2.40 annually.

W. R. Grace & Co. isn't just a successful business corporation, it's a growing industrial empire. First of all the "Grace Line"—"ain't what she usta be" Most people still think of it as just an old well-established transportation company. Well, it's that—plus a lot of new activities, principally chemicals. The following statistics tell the story of change:

Percentage Distribution of Sales And Operating Revenues

	1952 %	1954 %	1955 %
Chemicals	6	25	34
Steamship	25	17	15
Latin America	32	28	26
U. S. Import & Exp.	34	23	18
Outdoor Advertising	1	5	5
Other Domestic	2	2	2

The Chemical Division is expected to contribute 37% in 1956, and in a few more years about 50%.

It is difficult—as well as impossible—to give anything but the highlights of a company of the

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Petroleum Industry's Prospects In the Western Hemisphere

By EDMOND N. MORSE*
Smith, Barney & Co., New York City

Instead of declining 1957 domestic oil industry earnings, a gain over record high 1956 earnings is anticipated by Mr. Morse who sees this centering interest upon domestic producers and integrated companies, and upon Latin American and Canadian firms expected to supply increased demand. Believes integrated companies show even brighter outlook than the encouraging one for Western Hemisphere crude oil producers, providing refined product prices pass their recent lows. Analyzes changed sources of supply at Europe's disposal; the crude and heating oil, and gasoline inventory problems; and crude oil price stability despite tightening oil supply situation.

Disintegration of political forces in the Middle East has improved the outlook for the domestic petroleum industry for 1957. Our early forecast for 1957 estimates an increase in domestic petroleum consumption of 4-6%. This rates 1957 as another average year as measured in terms of long-term annual growth and very similar to 1956 which will probably show a 5.3% increase in demand over 1955. Unfortunately, production of petroleum and refined products this year has been at a higher rate than the growth in consumption. The result has been an uneasy accumulation of inventories. For example, between May and November crude oil inventories as compared with a year ago increased from —0.5% to +10%, gasoline from +8.6% to +13.4%, heating oil from —9.3% to +3.5%, and fuel oil from —23.3% to +2.6%.

Edmond N. Morse

Prospect for Gasoline

Ordinarily the only two items above which might cause concern would be the increase in crude oil inventories and gasoline. Prospects for gasoline are important because this is the main refined product in terms of earnings. The expansion in gasoline, although now levelling off, is still excessive relative to the demand. In reflection of this undesirable trend, price cutting has prevailed over much of the United States east of California. Even with the Middle East problem, we can estimate that gasoline inventories may continue to accumulate at the rate of about 200,000 b/d, resulting in about 210 million barrels of gasoline in inventory by the end of the heating season next March. This level will be 12 million barrels higher than last March when stocks were considered ample. An increase of 6% might not seem large, but in the oil industry where supply and demand are closely geared, an excess of 6% in supply can lead to serious price deterioration. Deterioration has been in evidence for some months.

With such a forecast it might ordinarily be assumed that there will be considerable pressure on gasoline prices lasting into the summer. At the earliest, next summer would then be the first time that gasoline inventories might be brought down to reasonable levels. There are few outlets for gasoline outside of the United States. Although Europe is suffering gasoline shortages it consumes relatively little gasoline compared to our consumption and to our manufacturing capacity.

Heating Oils Supply Adds to Gasoline Problems

Inventories of heating oils are on the low side even now relative to the increase in demand which we might expect this year from cold weather and a large number of oil burners in operation. Prospects of cold weather require the oil industry to further build up heating oil inventory. Unfortunately the average refinery produces about twice as much gasoline as heating oil and to build up heating oil inventories obviously creates more gasoline and therefore more pressure upon the gasoline price structure.

The trend in crude oil inventories under normal circumstances would be classed as unfavorable. However, the Middle East crisis has already seen the sale of crude oil by domestic producers to Europe with even larger sales in prospect. We will probably also reduce our imports of crude oil and therefore require more production here at home. It is currently believed that European receipts of crude oil are running about 1,000,000 b/d below normal which is considerable in view of Western European consumption of about 2,200,000 b/d.

There is little chance of Europe purchasing enough gasoline from us to reduce our excessive inventory position. However, a reduction in crude oil inventories seems likely and in fact is occurring. Most of our crude oil supplied to Europe will come from the Gulf Coast where inventories of crude oil are now about 90 million barrels. It is estimated that these inventories can be reduced by 40 million barrels without causing distress. Louisiana

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*An address by Mr. Morse before the Baltimore Security Analyst Society, Nov. 26, 1956.

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Articles and News Page

Views of Liquor and Wine Industry Leaders

Starting on the cover page we present, in articles especially written for the "Chronicle," the views of some of the chief executives of companies in the liquor and wine fields on current developments and future prospects for their companies and the business in general.

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Trends in Brands and Blends

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

A holiday-season look at straights and blends; and at certain liquor stocks on the shelf, and on the market.

Hard "likker" consumption does not follow trends in population in the United States. Other factors take over here, such as preference or pocket book swings to wines and beers, high prices kept high by Federal taxes, accessions to membership in Alcoholics Anonymous; and millions of gallons just don't get counted at all, because they seep onto the illegal market from bootleg stills. But, withal, the consumption of distilled waters now appears on the rise. It was 230 million gallons for 1946, and not until 1955 was the 200 million gallon figure again reached or crossed. This year the target estimated is about 210 million gallons, an advance of roughly 5% over 1955.

Ira U. Cobleigh

Certain trends are worth commenting on. Spirit blends which accounted for two-thirds of 1949 consumption are still the major American whiskey preference, accounting for above 40% of total consumption in 1955. Straight whiskies accounted for about 23%, gin around 10% and Scotch (all imported) around 6%. The major forward swings are currently in straights, with "Old Crow" leading the flight; and in vodka which has risen from 1.4% of total consumption in 1953 to over 5% for this year. Vodka now delivers somewhat above $200 million a year in distillers' sales with everybody getting into the act—"Smirnoff" by Heublein; "Samovar" by Schenley; "Gilbey's" by National Distillers; "Wolfschmidt" by Seagram; "Hiram Walker" from the distillery of the same name; "Old Mr. Boston" from Berke Bros.; "Yar" by Park and Tilford, and "Tovarisch" by American Distilling, plus some 50 other brands. It's just a little baffling to see the way this vodka has caught on. The taste is pretty close to neutral and the name is Russian. It does, however, boast a quality of being, of all hard liquors, the least tell-tale on the breath. (But, alas, a boozy breath is often the least conspicuous evidence of incautious imbibing, and some have, forsooth, placed far too much reliance in this vaunted neutralization of reeking respiration!)

The industry has long hoped for relief from the $10.50 per gallon tax—a tax so high that it amounts to more than half the retail price; but after years of legislative pleading, the tax seems quite immovable; and most of the companies now see their road to higher sales and profits along the lines of smarter merchandising and better packaging, rather than via tax relief. You have, of course, noted the beautiful array of holiday decanters, ornamental bottles for shelf or sideboard, with some doubling as cocktail shakers, or toting music boxes on the bottom delivering such convivial tunes as "Happy Birthday," "How Dry I Am" or "Show Me the Way to Go Home." Considerable retail success has been recorded, too, in multiple packaging, with two or three bottles in a box, providing a price saving over individually purchased bottles.

All these methods, plus a widened variety of wares, are offered in some endeavor to bring back liquor drinking consumption to where it was in 1942, namely, 1.44 gallons per capita. It was only 1.22 gallons per capita last year. In any event a number of leaders in the industry now think the trend has at last turned upward.

If this is so, then some of the distiller shares on the market may present worthwhile values. Although 1956 swings in this section of the market have not been wide, most issues are selling at or near the year's low. Schenley has ranged (1956) narrowly between 22½ and 18. At 18⅝ the $1 dividend is around an 80% payout and looks reasonably safe. The current yield is 5.35%.

Distillers Seagram ranged between 39½ and 30⅛. It has excellent dividend coverage paying, including extras $1.70, out of per share net of around $3.60. This and Hiram Walker (at 65 paying $4 including extras) are frequently given top billing for investment purposes because of their constancy in earning power and dividend distributions.

National Distillers we'd like to talk a little more about as it is somewhat of a special situation, ranking second among the distillers, but swinging quite substantially into more diverse lines of endeavor. The leading National Distillers beverages include "Old Crow," a straight, which sold 1,800,000 cases in 1955, "Old Sunny Brook" 1,350,000 cases, "PM" 1,100,000 cases and "Hill & Hill" 750,000 (all 1955 approximate figures). This year should show some modest sales improvement in most of these items.

In the three years 1953, 1954 and 1955, DR realized altogether over $35 million in sales of beverage properties and inventories, thus building up its cash for increasing investments in the chemical business. These chemical operations have, indeed, become very important and while they provided but 15c a share of the 1955 earnings they should show above 60c for this year.

The U. S. Industrial Chemical Division of National Distillers has a number of plants. At Ashtabula, Ohio, there is a big metallic sodium plant which worked at but 60% of capacity in 1955. New contracts with Archer Daniel Midland, and Union Carbide this year should bring sodium production up close to the 50 million pounds a year original rated capacity of the plant. (This capacity is being increased.) U. S. Industrial Chemical also has four sulphuric acid plants.

Another division is National-Petro Chemical Inc. (of which National Distillers owns 60% and Panhandle Eastern, 40%) which has plants in Tuscola, Ill. for extraction of heavy hydro-carbons from natural gas, and for making polyethylene. This National Petro Chemical has taken some time to move into the profit column with starting up and operating costs running totally to around $10 million. Pre-tax earnings running well into seven figures should be realized this year, with considerable future expansion possible.

There is also a 20% interest in Intermountain Chemical Co., controlled by Food Machinery Corp. This is a soda-ash producer.

National Distillers grossed $500 million last year and earned $1.60 per share. This year the gross should be higher with net sales from the chemical division accounting for something around 20%. Earnings of $2.10 a share have been projected for 1956 on the 8,641,000 shares listed on the New York Stock Exchange and now selling at 25½. The regular dividend is $1 with a stock extra of 2%. Dividends have been steadily paid since 1935. Cash position is excellent, management progressive, and DR chemical research ranks with the best.

Schenley and National have, more than the other companies in the industry, branched away from spirits. These, together with Hiram Walker and Distillers Seagram, compose the big four. Below these lie Publicker which has had a tough time getting into the black; Brown Forman which has done much better this year than last, and should continue to move ahead by virtue of its acquisition of the Jack Daniel distillery; Glenmore, a high yielder at 10; and American Distilling, which has traded narrowly this year within a 5 point range. A would-be buyer of distiller shares would be prompted to enter this market area primarily for dividends on the majors, which may be increased; and for stability of market price. Drinking is a pretty steady custom, although steady drinkers often are poor customers!

Bond Club of N. Y. To Hear Sec. Thomas

Charles S. Thomas, Secretary of the Navy, will speak before The Bond Club of New York, at a luncheon to be held at the Bankers Club on Wednesday, Dec. 5, Robert J. Lewis, Bond Club President, announced today. His topic will be "The New Navy."

John Latshaws Announce New Arrival

Mr. and Mrs. John Latshaw (E. F. Hutton & Company, Kansas City, Missouri) are the proud parents of a 7 lb. 11 oz. daughter, Constance Haynes Latshaw, born November 12th, 1956.

Frank Dempsey Opens

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla.—Frank L. Dempsey is engaging in a securities business from offices at 3110 Fielder Street. He has recently been with Peninsular Investments.

The State of Trade and Industry

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

Total industrial production for the country-at-large in the period ended on Wednesday of last week held close to the level of the prior week, but was moderately above that of a year ago.

During the week, production of automobiles, electric power and petroleum registered increases which were counterbalanced by declines in the output of steel, paperboard, lumber and food processing.

Although steel making dipped fractionally, it held at 2% above the 1955 peak. Petroleum output was lifted 2% in the week and was 4% higher than that of the like week a year ago. Electric power production stepped ahead of the past year by 4% and automotive production advanced 8% in the week as producers overcame many initial problems. Total output of cars and trucks however, continued 20% under the 1955 level.

Industrial demand and international unrest are closing in on the steel industry. At the same time, the mills are hard put to maintain production in the face of growing maintenance problems, states "The Iron Age," national metalworking weekly, this week.

It looks as though domestic requirements and the impact of Suez on European steel supply will converge on steel producers in the first quarter. This combination would make the first three months of 1957 one of the tightest in steel history.

While the situation is not serious, steel producers are running into recurring maintenance problems growing out of sustained high-level production. Mill breakdowns and other delays are cutting into output. Approaching holidays also will hurt production efficiency. This means that delivery carryovers into January will be that much heavier, this trade weekly declares.

The Suez closing and oil pipeline damage will compound steel demand from Europe. Lack of oil in Great Britain and Europe generally is cutting down steel output and hampering production. This will be reflected in the first quarter demand for export steel.

Domestic demand, it adds, will prevent United States producers from sending too much steel abroad. But emergency needs plus an attempt to repair damaged relations with our allies mean that more steel will be earmarked for export.

The auto companies have been giving some producers a hard time. Delivery postponements have forced these mills to sell scattered tonnages to other users. These postponements were due partially to year-end inventory policy.

The signs are unmistakable however, that Detroit is snapping out of its tight inventory policy. For instance, two automotive companies have asked one producer for more cold-rolled sheet in January. One automaker took 40% more than it had ordered originally. The second auto company was turned down.

The change-about by Detroit reflects pressure from dealers for more new cars. Early in the new model runs, production problems had handicapped output. Now these hurdles are just about overcome. The mills look for car manufacturers to revise their schedules upward.

Steel scrap prices, this trade paper declares, rose sharply in some consuming areas. Strong demand coupled with exports and winter weather are bulling the market. Inventories of some mills have been far from comfortable, "The Iron Age" concludes.

The automotive industry last week scheduled more than 50% of its plants for Saturday assembly following the Thanksgiving holiday.

"Ward's Automotive Reports" said the surge in overtime work was largely responsible for holding the past week's schedule at 127,021 car completions compared with 135,641 last week.

The statistical agency said the 1,000,000th 1957 car assembly, programmed for this week, finds the auto makers operating nearly 190,000 units behind their original production target. A 68,000-unit deficit is shaping up for November following 122,000 in October.

However, weekly operations are showing steady strength as well as a more even distribution of the industry's production. Chrysler Corp. scheduled 16.9% of last week's volume, Ford 29.8% and General Motors Corp. 51.6%.

Remaining producers, "Ward's" added, were held to a 1.7% bite by suspension for the second week of American Motors Corp.'s Nash and Rambler assembly by a supplier strike. Meanwhile, a week-old strike at the Buick-Oldsmobile-Pontiac plant at Framingham, Mass., ended on Wednesday of the past week.

"Ward's" said Chevrolet and Ford are running in a virtual tie for the industry's weekly production honors, with major improvement still looked for at Cadillac, Mercury, Lincoln and various of the Chrysler Corp. divisions.

Steel Mills Set a Pace of 100.3% of Capacity This Week

United States metalworking's domestic business next year will be vitally affected by the troubles in the Middle East, "Steel" magazine stated on Monday last.

The national metalworking weekly warned that shortages of steel products, particularly plates and structural shapes, will become more serious and that the tendency toward inflation will be more marked.

It said that production for the first six months will be hitting capacity limits in most lines, although performance would have been almost that good without the Suez problem. Inventory buildups of readily-obtainable products will be more substantial.

The publication pointed out that demand for plates has exceeded supply for months. Competition for plates will become more fierce if 104 tankers are built by industry and government.

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Wider Federal Reserve Policies For More Effective Influence

By AUBREY G. LANSTON*
Aubrey G. Lanston & Co., Inc., New York City

In analyzing the current forces bearing on the availability and cost of credit in 1957, Mr. Lanston concludes short run may witness higher interest rates and tighter money, but beyond that, prospects for somewhat higher bond prices and lower interest rates — are indeterminately brighter. Author offers a program to increase effective money and credit control, to permit Federal Reserve to continue an enviable, unmatched economic achievement record, which includes tax improvement, transfer of Federal credit activities to the Fed, and Treasury recognition of Fed's portfolio needs. Opposes proposals for new economic council and selective credit controls.

For some time, there have been complaints about the "tightness" of money. That is to be expected, because when money is "tight" the shoe pinches and we are not accustomed, nor obliged I am glad to say, to suffer in silence. Some of these complaints appear quite plausible, even persuasive, when they are taken at face value and are viewed on the narrow plane from which some appear to have been erected. Some I regret to say lack merit, except for those whose self-interest they might advance.

Aubrey G. Lanston

Altogether it seems that we may be on the threshold of another major debate about how, and by whom, money and credit shall be managed and allocated among us. This can be a matter of the greatest importance to you, and to all Americans. Therefore, I hope that you will make it your busness to take an active part. You can supply leadership and action. Both may be needed.

For these reasons, I have elected to deal with Treasury and Federal Reserve policies in a somewhat different manner than may have been expected of me. I want to discuss the fundamentals that are involved—now, next year, and for so long as we are able to maintain a free and generally prosperous country. It will take me but a few moments, thereafter, to set forth the why's and wherefore's, as I see these, of the near-term availability and cost of credit.

On the basic issues of the management of money and credit, I think we need to set firmly in our minds the concepts on which economic life in this country has been based. If the arrangements we have are consistent with such concepts, we would do well to stick to this general set-up while we try to improve some of the arrangements. Some improvements are needed.

The question is going to arise, however—indeed, it already has—as to whether we should not pretty much junk the Federal Reserve System's management of money and credit; or, add appurtenances that inevitably would weaken the Reserve's power and efficacy. If these changes are suited to our way of life, we should be for them. To me, it is pretty clear that such moves would be in the wrong direction. They cannot be made consistent with the basic concepts I am about to mention. Therefore, I think we must insist on seeing that the steps that are taken are ones that would enlarge the influence of the Reserve and cause our established methods and institutions to become better able to serve the public interest.

*An address by Mr. Lanston before the National Industrial Conference Board's 1956 St. Louis Conference, St. Louis, Mo., Nov. 15, 1956.

Basic Premises

The basic concepts of the economic life of this country are, I believe, about as follows:

Our people represent a society in which the individual enjoys maximum freedom; freedom to live his life as he pleases, to make his decisions and choices in accordance with his needs and his means, subject only to a willingness to be considerate of the similar rights of his neighbors.

Individually, and collectively, we aim to be prosperous—as well as to be free.

Historically, we have an enviable, indeed an unmatched record of achievement in such goals.

The real basis of this achievement has been that we have relied, predominantly, on a way of life and on a form of government, designed to encourage the exercise by the individual of a maximum amount of initiative and enterprise.

A corollary, basic premise has been that intervention by the government in the choices to be made by the individual, and in the conduct of business throughout the country, must be held to a minimum; otherwise the exercise of initiative and enterprise by individuals would be correspondingly prescribed or discouraged.

Such, I believe, is the philosophy of President Eisenhower. He and some of his principal aides have sought to foster such a way of life; to attract new adherents to it. It is to be hoped that the overwhelming approval just given to the President by the electorate was partly an endorsement of such a faith in the innate capacity of the individual. This kind of a philosophy needs a still greater implementation within and throughout government and in the minds of all people.

Defines Monetary and Credit Policies

The workings of Treasury and Federal Reserve policies are but a part of the arrangements out of which the demand and supply of money and credit arise and are controlled. Economists refer to the whole shooting match as the workings of "monetary policy" or "credit policy" or of "monetary and credit policy." It seems to me that sometimes we use such terms with a degree of interchangeability that tends to obscure their precise meaning. I want to be as precise as I can in my remarks here this afternoon. *Therefore, I wish to distinguish between what I mean by the term, "monetary policy," and the term, "credit policy."*

W. Manning Dacey, Economic Advisor to Lloyd's Bank in London, manages to make such a distinction so admirably in his book, "The British Banking Mechanism,"[1] I shall borrow from him for that purpose.

First, he says that monetary policy is designed to secure positive result over "a longish period," while credit policy seeks to prevent meaningless and disturbing fluctuations over short periods. Later, he puts it this way—monetary policy is concerned with trends, whereas credit policy must deal with preventing or smoothing out deviations from the trend. In other words, whatever the direction of the trend, or the degree by which it is sloped, credit policy must deal, perforce, primarily only with smoothing out or preventing deviations from that trend.

1 1951, Hutchinson's University Library, Hutchinson House, London, W. 1, England.

In other words, credit policy is an important part of the whole that is monetary policy, but it is still only a part.

What are the other component parts of monetary policy? Here, a disparity of views probably exists. I would include the following:

Taxation and Money Credit Policies

Taxation. This is not because I believe that the power to tax should be employed for such a purpose; it is rather that its impacts are so far-reaching that I think it must be included as things stand. Taxes generally are high. High levels of taxation multiply the decentives and inequities that exist and increase the power of many of the strong forces that swirl throughout the economy, sometimes, to our dissatisfaction.

One outstanding example of these effects is to be found in the treatment of corporate earnings. Two similarly engaged corporate ventures, with the same total amount of capital, conceivably might have identical net earnings before taxation. Yet the tax treatment applicable to their respective earnings will vary considerably with differences in the amount of borrowed capital in their set-ups. Moreover, from the point of view of the owners of these businesses, there will be a difference in the amount of earnings after taxes that are available for disbursement as dividends.

The unusual force exerted by this aspect of our tax laws on the scope, and nature of the problems of managing money and credit can be dramatized rather easily. Cogitate with me, for a moment, on the effect of a somewhat different arrangement for the taxation of corporate earnings.

Currently, the interest paid on borrowed capital is a deduction from corporate earnings that are subject to tax. The return to be paid on the risk capital (dividends) must be included in the net taxable income. These provisions decrease the comparative cost of borrowed capital and add to its attractiveness as a part of the capital structure.

It seems fair to say that these aspects have contributed to what has been termed a demand for savings that exceeds the available supply; that, as a nation, we need to save more.

Well, imagine that the incidence of the taxation of corporate earnings is turned around a bit. As it stands—interest paid (as a return on borrowed capital) is disbursed and, perhaps therefore, it is excluded from net taxable income. Let that provision stand. But, as a matter of equity, treat the return to be paid on risk capital (dividends) in the same way; that is, since both interest paid and dividends represent disbursed earnings, let us exclude the amount paid in dividends from net taxable income, too. Then, net taxable income would consist only of the earnings that were retained, in the hands of the corporation.

Under such arrangements, the actual cost of borrowed capital would not be increased, but its attractiveness as a part of the capital structure would be materially diminished. The amount of dividends that could be paid from

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Observations . . .

By A. WILFRED MAY

HOW SHALL THE INVESTOR DEAL WITH INFLATION — AND DEFLATION?*

The Government this week reported that average consumer prices in October set a record high for the fourth time in five months; and the President's new economic policy chief, Dr. R. J. Saulnier, in an interview depicted inflation as both an immediate hazard and the country's No. 1 economic problem for some years ahead.

However controversial the public's views of "inflation" may be, there can be no doubt about its continuing timeliness as a conscious factor affecting the investor's policy. Through bull and bear market movements he keeps one weather-eye on this reassuring bulwark to his position. Whereas in past times the inflation phenomenon often tended to be but an academic concept, today, tied to wages in escalator clauses, it is a taxi driver discussion item.

A. Wilfred May

Let us review the "inflation" factors facing the intelligent investor *today!* How shall we appraise the importance, degree and course of inflation as a long and as a short-term investment force? From the standpoint of the price level, are we now on the side of a limitless mountain, or perhaps at a major peak, or possibly a mere foot-hill?

How shall we relatively rate the forces stimulating and those retarding effective inflation? In the first *"pro-"* category we might list the following:

Inflation Stimuli

The "modern" acceptance of the mandate, politically motivated, to preserve the nation's activity, through full employment policies and government interventionism.

Labor strength, with its impact on spiraling prices along with wages; and pressure by other politically strong groups.

Increasing segments of the population getting on the inflation "escalator," through subsidies and otherwise—and liking it.

The national defense needs, seemingly chronic with the continuing cold war and international crises.

Antidotes

In the *de*-flationary, or at least anti-inflationary, category we may list the following:

The nation's great productive capacity, especially in peacetime, with overproduction particularly recurrent in some industries, as textiles.

Expansion is a process wholly distinct from inflation.

Uncertainties of government guarantees of activity, as to speed as well as degree of effectiveness.

Income tax trends.

Really "Built-In" and One-Way?

Above the cross-currents, the two major questions persistently stand out:—Do the guarantees of present-day government interventionism, active and potential, actually constitute a *New Era* of one-way inflation? And does the $35 billion Defense bill constitute an unassailable bulwark, or on the other hand, might it in some way sometime disappear, or perhaps at least merely constitute a prop insuring the present rate of activity without raising it?

The Historical Record

Empirically, on the historical record, the quantitative manifestations of inflation over the shorter-term have never run on a one-way street. We should remember that after the 1920 peak following the First World War it took 21 years and another World War until the price level re-attained that level from the intervening decline. Some commodities, despite the long-term inflation, are still priced below 1920, and 1937-'38. In France there were drastic intervening price falls, namely monetary appreciation in

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*Excerpt from a lecture in the series "Your Investments" at the New School for Social Research, New York City, Nov. 8, 1956.

Puerto Rico Investment Profits

By TEODORO MOSCOSO*

Economic Development Administrator, Puerto Rico

Puerto Rico's Economic Administrator reveals publicity for the first time that net profit to net sales for 400 promoted "Bootstrap" firms is about 16% compared to 5% for U. S. A. and a breakdown of this shows, for example, chemicals for P. R. 31% and U. S. 8%, and electrical products 33% and 5%, respectively. Developer Moscoso relates: (1) a new plant emerges every four days; (2) imports from U. S. exceeds Brazil's by $300 million, and per capita purchase from U. S. exceeds all other nations; (3) tax exemption test prevents entry of U. S. runaway firms; and (4) underprivileged nations are learning from Puerto Rico.

What is happening to our small island has a very pronounced effect on what has been happening in New York. This year the income from industry in Puerto Rico surpassed that from agriculture.

Teodoro Moscoso, Jr.

Let me try to give you some idea of what this turning point from an agricultural to an industrial economy means to us. To us, Operation Bootstrap is more than a picturesque name. We have no natural resources to speak of in Puerto Rico. We have no great wealth, either, although we are starting to built up a very substantial middle class. We have had very little to offer but the will and ingenuity and energies of our people. Our effort at self-help was conceived, not in Washington or New York, but in Puerto Rico. It actually got under way only 10 years ago. Nobody came down from the States to run the show. For 10 years we have felt, literally, as if we were tugging at our own bootstraps. Believe me, it's a strained position, kind of hard to hold for 10 years.

But now, at least, something very noticeable has begun to give. We feel that as a result of all that tugging we are doing what a lot of people said was impossible—we actually *are* pulling ourselves up off the ground, out of the soil of an agricultural economy into the more affluent atmosphere of industry.

Agriculture, of course, will always be important to us, but we must have industry, too, for reasons that have a very direct bearing on this migration matter that is of such concern to New York.

Puerto Rico is one of the most overcrowded land areas in the world. The Chancellor of our University not so long ago computed the most striking statistic I've seen to illustrate this: He showed that if the continental United States had the same density of population that Puerto Rico has, you could fit close to the entire population of the world into its four borders.

Picture yourselves that crowded in, and add a couple of other handicaps, then you'll get some idea of what we were facing when our self-help effort got underway 10 years ago. The other handicaps were — a one-crop agricultural economy, sugar, which gave work to the people for six months of the year then left the bulk of them jobless, and a complete lack of factories to take up the slack.

That was when they used to call Puerto Rico America's Poorhouse, and the Stricken Land. Is it any wonder that thousands of people left the soft springlike climate of their beautiful homeland to crowd into northern tenements through comparatively harsh winters and summers? For most of them it was a matter of survival, of feeding their families and themselves.

We set out to solve our problem with a recognition that no single course of action would suffice. Most of America knows about Operation Bootstrap, our economic drive, but every economy has to be nourished from the roots, and the roots are the knowledge and abilities of the people.

You can't build an industrial economy on an illiterate population. We have managed to raise the literacy rate from 68 to nearly 80. We also established one of the finest vocational school systems in the Western Hemisphere with the express purpose of training our young people to fill the jobs of an industrial society.

You cannot build an industrial society on a frail and sickly people and the absenteeism that always accompanies ill health. So we set up health standards to equal those of the most progressive areas in America. Today anybody can drink water anywhere in our Commonwealth with every assurance that it is pure. We have triumphed over the communicable diseases, typhoid, dysentery, V. D. They are as insignificant from a public health standpoint in Puerto Rico as they are here today. Malaria once held the south of Puerto Rico in a devitalizing grip. Today it is so completely eradicated that our School of Medicine has had to send to the continental United States for samples of malarial blood for study. The life span of the Puerto Rican has increased from 46 years in 1940 to 64 today. The death rate is lower than that of the continental United States.

Twenty-five cents out of every dollar the Puerto Rican Government spends goes for public health, and 25 cents more goes for public education.

The question is often asked me, how do you start with nothing and build up so many new industries? What do you use for bait?

There is no secret about how we've done it and how we propose to continue. At first, nothing would induce private capital to take the risk. So the government built some plants to manufacture products our economy needed—bottles for the rum we make, cement for the houses we build, paper, ceramics.

When they were on a going basis, we sold them. Ours is not a Socialistic government and although we had to start the factories, our leaders never relished the idea of government operation of them. It is interesting to note that the factories were sold to the most outspoken critic and political opponent of the Administration. "Because," Governor Munoz remarked, "he has better sense about industry than politics."

Government Always Sells Plants It Builds

With the proceeds we built more factory buildings and offered them to private enterprise to start their own industries. We have been building factories ever since, renting them to industry with an option to buy. You might call that putting the industrial cart before the horse, but we know what size and type of factory is best suited to each area and the industry that would have use for it, and there's always a taker for each one we complete.

We don't stop there, though. We offer new industries every help we can give them, financial and otherwise. We make loans, train workers, supervisors and executives, and we even have a department that finds homes and schools and baby sitters for executives. For large scale employers of labor and heavy capital industries we have occasionally offered rent free factories for limited periods, partial reimbursement of ocean freight for essential machinery and equipment and even partial reimbursement of salaries for technicians brought to Puerto Rico to initiate operations.

With intensive promotion we have made the most of what natural and geographical advantages we have, such as cheaper than rail freight rates to the eastern seaboard of the United States, and a laboring population especially adapted to all sorts of assembly work that requires care and precision.

The greatest inducement, and the one most misunderstood, is tax exemption. Puerto Rico has no vote in the election of the United States Government, no voting member in the United States Congress, so the United States collects no taxes from it. That would be taxation without representation, a practice so repugnant to the American people that it sparked the American Revolution.

Puerto Rico, however, has its own corporation and income taxes. It will waive these and other taxes for a 10-year period for any new industry that meets our specifications.

That represents quite an item in a successful operation. For instance, if your net profit after corporate taxes alone were $17,500 in the United States, in Puerto Rico it would be $25,000. If it were $53,500 after taxes, in Puerto Rico it would be $100,000. If it were $485,000, in Puerto Rico it would be a million.

Much Higher Earnings

In theory, Puerto Rico's tax freedom and industrial incentives sound fine. But let's face it, the real acid test is this: How are our 450 Bootstrap plants faring profitwise?

More important: How do they compare to U. S. industry in this, perhaps the most vital statistic in the manufacturer's book?

This is the story, short and to the point; the reason why we are now inaugurating a new factory in Puerto Rico every four days.

Our promoted industries, most of them U. S. affiliates, are making three times the profit in the States. I've taken this figure from a report I received last night on a survey made by our Office of Economic Research. Incidentally, this is the first time I am giving out profit figures to the public from one of these reports.

According to this latest report, net profit in relation to net sales for Bootstrap-sponsored industry now hovers at 16% compared to 5% for industry in the U. S.

By comparing its findings with the Stateside quarterly report of the Federal Trade Commission and Securities and Exchange Commission, the Puerto Rico survey notes these contrasts:

That in the chemical industry, net profits are 31% in Puerto Rico compared to the 8% in the Stateside reports. That Puerto Rico's 43 electrical - electronics manufacturers show a net profit of 33% compared to 5% for the electronics industry in the States.

Precision instrument companies in Puerto Rico net 17% profits compared to 6% for similar firms in the Continental U. S.

Leather products in Puerto Rico —11% net profit compared to only 2% in the U. S. Apparel industry shows 10% profit compared to 1% in the States. And in an industry which we are just beginning to push, furniture-making, they are netting 20% profit compared to 4% here.

Tax exemption is not new to America. Many special classes, from veterans to certain industries, receive tax exemptions of varying degrees in the United States. The whole theory of American corporation and income taxes is based on an exemption plan—if you don't make money, you're exempt. Tariff schedules are simply tax exemption in reverse — the foreign product is taxed and the domestic product exempted.

Severe Tax Exemption Test

Is it fair, though? If through tax exemption we were enticing industries away from New York or Schenectady or Macon or any other community in the United States, I would say that it was not fair. But we have announced that we don't want runaway industries, and we have given that more than mere lip service. Before a firm can gain tax exemption in Puerto Rico it has to appear before an examiner for a special hearing at which it must establish that its enterprise is a new one not foresaking any site in the United States. If there is any doubt, the examiner generally asks for a letter from the Governor of the industry's home state certifying that the firm is not abandoning an operation in that state.

Another question is, will Puerto Rico's industrialization program make inroads on the American economy? That would be as likely as the swallow posing a threat to the eagle. Little Puerto Rico's entire industrialization program represents less than one-half of 1% of normal continental United States industrial expansion, which is far less than even a proportionate share.

Perhaps you'd like to know something about the political nature of Puerto Rico's government. It is not only unique but it is something that every American can take pride in. It represents before Latin America, and before the whole world, the true spirit of the United States. It is a living refutation of the Communist cries of American imperialism.

An Example to Underdeveloped Lands

Puerto Rico is a Commonwealth, a self-governing free state, associated with the United States under its own and the United States constitution, with a common currency and common defense forces. In this era of colonial revolt and violence all over the world, Puerto Rico achieved its status peacefully and in the spirit of warmest friendship. By act of Congress in 1952, the United States entered into a compact with Puerto Rico that established Commonwealth status. Now all branches of government are directly or indirectly accountable to the Puerto Rican voters.

Puerto Rico's real feelings toward the United States and American citizenship are best exemplified, I think, by the Puerto Rican record in the Korean War, where 30,000 Puerto Rican troops fought with outstanding bravery. Puerto Rico's 65th Regiment not only had the highest number of casualties among American troops, but it is especially notable that 40% of our men were volunteers, the highest percentage in the United States.

What is happening in Puerto Rico, socially, economically and politically, has possibly attracted more attention in other parts of the world than in the United States itself. We know that the underprivileged countries of the world, the ones who are most susceptible to the blanishments of Communism, have been watching with great interest. Puerto Rico, which receives no Point Four help itself, has become a training ground for Point Four visitors whose expenses are shared by the United States and Puerto Rican governments. In the last five years more than 3,400 trainees from 99 different countries all over the globe have come to Puerto Rico to study the great changes that are taking place there, and above all, to learn what a country can do to help itself.

The impressive part about what they see it that we have done all this in association with the United States and we are doing it as a free people, and the two are not in the least incompatible. The lesson, which the underprivileged nations are learning from Puerto Rico, is of inestimable value to the United States in a world dangerously divided between two political philosophies.

I realize such values cannot be measured in dollars and cents. But Puerto Rico has a dollars and cents value to the United States which no businessman would want to overlook.

Buys More U. S. Goods

It has been estimated that for every million dollars added to the Puerto Rican economy, $500,000 flows direct to the United States for purchases. We are still a comparatively poor land, but I wonder how many American businessmen realize that we buy more United States goods per capita than any nation in the world? That with only two and a quarter million people, we bought $300 million more from the States last year than Brazil, the largest country in Latin America, with 60 million people. Currently Puerto Rico is buying a half million dollars worth of goods a year in the United States.

There is a tendency among all of us, wherever we may live, to think in terms of the past. Faster and faster communications have shriveled up distances at such a pace that it challenges human ability to fully conceive of the new possibilities. If we focus our minds upon it, we realize all right that we can pick up a telephone in this room and within a few minutes be talking to somebody in Puerto Rico. If we have to go there, we are ready to believe what the airline schedule tells us. But in our general thinking, we tend to think of the distance between there and here as 1,400 miles, a long distance south and out into the blue Atlantic. Subconsciously there is a tendency to associate this distance with long journeys and tropical isolation.

In Puerto Rico, too, we have had trouble reorientating ourselves. Many of us remember when New York was no closer than four days by steamship. It is not easy to readjust to the simple but very significant fact that the distance is now only five and a half hours.

Five and One half Hours Away

That's worth a few comparisons. It means that the New York businessman or tourist can reach Puerto Rico now in less time than it once took him to go to Washington. It means that the Puerto Rican businessman can reach New York, in person or with his goods, in less time than it used to take him to cross his 35-mile-wide island.

In a couple of years, when the jet planes go into service, travel time between San Juan and New York wil be cut in half again. It will shrink to a mere three hours. The implications are enormous. They are influencing a great many factory executives to open branches in Puerto Rico. Of course other influences are at work, too, and I do not underestimate the human

*An address by Mr. Moscoso before the Rotary Club of New York, Nov. 15, 1956.

factor of executives enjoying having a branch to visit where he can spend a weekend on the beach at any time of year. We have noticed a curious coincidence—that the worse the weather is in the north, the more plant inspections we have in Puerto Rico. When I said that we started off lacking in natural resources, I overlooked our always delightful climate, but I assure you industrialists don't overlook it.

If you inquired why various companies have opened factories in Puerto Rico — companies like General Electric, U. S. Rubber, Remington Rand, Union Carbon and Carbide, Sylvania Electric, Textron, and Carborundum — you'd probably get a different answer from each one of them. But I am confident that this migration the general public doesn't know about, the migration of industry to Puerto Rico, even on the small scale that it is, portends much that is good for all of us, here and there.

A Key to Latin America

I would venture to say that if we were now at the peak of our economic drive instead of just at the turning point, and there were ample jobs in Puerto Rico, the tide would be reversed and the Puerto Ricans would be leaving New York to come back to Puerto Rico, just as a wave of continental Americans is coming to Puerto Rico right now because of the executive opportunities created by our industrial program. Being there, as travelers or businessmen, they are getting to know Latin America at a crossroads of two cultures. North and South America meet in Puerto Rico, in every sense of the word. It is well to reflect that by the end of the century there will be 500 million people in Latin America, twice as many as in the United States. Puerto Rico, with its two and a quarter million fellow Americans, is an important key in determining the question of whether they will be hostile and suspicious, or allies and good customers. There is no doubt in my mind about how they should feel.

When the United States, in all the might of the most powerful nation on earth, will freely enter into a compact with a tiny struggling land that it had held for years, you could find no better example before the world of the real nature of the great country that we all call our own.

Is it any wonder that the framers of Puerto Rico's new constitution put these words into the preamble:

"We consider as determining factors in our life our citizenship of the United States of America and our aspiration continually to enrich our democratic heritage in the individual and collective enjoyment of its rights and privileges; our loyalty to the principles of the Federal Constitution; the co-existence in Puerto Rico of the two great cultures of the American Hemisphere; our fervor for education; our faith in justice; our devotion to the courageous, industrious and peaceful way of life; our fidelity to individual human values above and beyond social position, racial difference and economic interests; our hope for a better world based on these principles."

From Washington Ahead of the News

By CARLISLE BARGERON

The post-campaign struggle for control of the Senate has taken on ghoulish aspects. On the basis of the election the Democrats stand to control the chamber by two votes, the same situation as exists now. But if they lose one seat the Republicans take over by virtue of Vice-President Nixon's power to break a tie.

Carlisle Bargeron

Two aged Democrats—Matthew Neely of West Virginia, and Murray of Montana, are very ill. This, of course presents real concern for the Republicans and will until January 15. On that date a Republican Governor takes over in West Virginia and in Montana. Neely and Murray would be succeeded by Republicans.

If they should pass away before Jan. 15, however, a Democratic Governor in either state would name a Democrat successor and it would be several months before an election could be held and it is highly questionable whether the Republicans could elect a Senator in either state.

Republican control of the Senate would mean a lot to Eisenhower and the conservatives generally. The so-called Liberal Democrats are returning loaded for bear. They have already announced that they intend to press the farm program which was adopted at their Chicago convention. It would not only mean a return to the high rigid price supports which have been so highly controversial but the Democrats also propose a stamp plan by which the farmer would be guaranteed a price for his production and the surplus would be given away to "needy" people. There would be little or no effort to hold production down. It is the contention of these so-called liberals that it is sacrilegious for anybody to be talking about surplus farm production when there are so many needy people all over the world, even in this country, according to this gentry.

Their theory overlooks entirely the fact that the Department of Agriculture is now busily engaged in giving away farm products, to charities in this country, to the school lunch program and to nations abroad. To those nations it is not giving the food and fibers to for nothing it is trying to peddle them for a song.

The Democratic platform would apparently give away the surplus to the extent that the entire distributive system might be adversely affected.

Their plan, or one very similar to it, was proposed in 1949 and met with such ridicule that it had no chance in a Democratic-controlled Congress. It would have no chance in a Senate controlled by the Republicans next year. Whether under Democratic rule it would fare any better than it did in 1949 is something I can't say.

These so-called liberals have also announced they will make another fight to change the rules of the Senate to prevent filibusters. On this they will have some conservative press support. The spectacle of one Senator being able to talk for days at a time and holding up a piece of legislation is not very attractive.

On the other hand, the Senate is the sole remaining legislative body in the world today where debate is unlimited. And the proponents of limiting debate have yet to show a single instance in history of any worthwhile legislation being prevented for any length of time through a filibuster. A filibuster might prevent legislation at one session but if it has real merit it will inevitably prevail.

It is difficult to understand why the so-called liberals want to limit debate now. Once it was wanted in order that they could pass anti-lynching legislation. But we have moved far away from the need for any such legislation. There remains a national Fair Employment Practices Act. Neither is that needed any longer. The Eisenhower Administration has wielded its tremendous power in awarding government contracts to break down any racial discrimination in industry.

Apparently the so-called liberals simply want something to agitate about. Agitation is the only purpose their efforts can serve at this late date in the march of history.

With American Securities

BURLINGTON, Vt.—Thomas B. Braine has become associated with American Securities Corporation. Mr. Braine was formerly local manager for Brown, Madeira & Company.

Bolder Opens

BROOKLYN, N. Y.—Solomon J. Bolder is engaging in a securities business from offices at 155 Falmouth Street.

Form Franklin Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Franklin Investment Co. has been formed with offices at 1575 Sherman St. to engage in a securities business. Officers are Frank J. Whittemore, President; B. J. Muller, Vice-President and Secretary.

Forms Dorris & Co.

(Special to THE FINANCIAL CHRONICLE)

BOULDER, Colo.—Harry W. Dorris, Jr. is engaging in a securities business from offices at 1414 Walnut Street under the firm name of Dorris & Co. Mr. Dorris was formerly with Securities, Inc.

Dealer-Broker Investment Recommendations & Literature

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

Area Resources — Booklet on industrial opportunities in the area served—Utah Power & Light Co., Dept. K, Box 899, Salt Lake City 10, Utah.

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

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

Foreign Exchange Quotations—Folder listing current currency quotations for 137 countries—International Banking Department, Manufacturers Trust Company, 55 Broad Street, New York 15, N. Y.

Income Tax Pointers Affecting Securities — Booklet — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

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

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

Penny Stocks Worth Dollars in Tax Savings—Bulletin—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Triple Banking System—Discussion of Bank Holding Company Act of 1956—M. A. Schapiro & Co., Inc., 1 Wall Street, New York 5, N. Y.

Uranium, A Study for the Investor—Brochure—W. C. Pitfield & Co., Inc., 30 Broad Street, New York 4, N. Y.

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

Bank of America—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Barnes Engineering — Analysis — Lewis Schindel Co., 37 Wall Street, New York 5, N. Y.

Buffalo Eclipse Corporation—Study—Amott, Baker & Co. Incorporated, 150 Broadway, New York 38, N. Y. Also available is an analysis of **Reaction Motors, Inc.**

Canadian Delhi Petroleums Limited—Report—Wisener and Company Limited, 73 King Street, West, Toronto 1, Ont., Canada.

Canal Randolph Corporation—Analysis—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Consolidated Rock Products Company—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

C. G. Classcock Tidelands Oil Co.—Memorandum—William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

Glass par Company—Analysis—Marache, Dofflemyre & Co., 634 South Spring Street, Los Angeles 14, Calif.

Gob Shops of America, Inc.—Analysis—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y.

Lakeside Laboratories, Inc. — Analysis in current issue of "Business & Financial Digest"—Loewi & Co., Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also in the same issue is an analysis of Public Service Company of New Mexico.

Manning, Maxwell & Moore, Inc.—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

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

J. Ray McDermott & Co.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a memorandum on **G. D. Searle & Co.**

Mohasco Industries, Inc.—Report—Winslow, Cohu & Stetson, 26 Broadway, New York 4, N. Y.

Nortex Oil & Gas Corp.—Report—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Pepsi Cola General Bottlers, Inc.—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Riddle Airlines Inc.—Report—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

Royal McBee Corporation—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is the 1956 Edition of 250 **Tax Switches.**

Stewart Warner Corp.—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is information on **Sunbeam Corporation,** and **Cooper Bessemer.**

Texas Instruments, Incorporated—Analysis—J. R. Timmins & Co., 61 Broadway, New York 6, N. Y.

Transamerica Corporation—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **Marshall Field & Co.**

Trinity Equipment Corporation — Analysis — Schuster & Co., Inc., 44 Wall Street, New York 5, N. Y.

Uarco Incorporated — Report — Kidder, Peabody & Co., First National Bank Building, Chicago 3, Ill.

Warner Company—Analysis—Janney, Dulles & Co., Inc., 1401 Walnut Street, Philadelphia 2, Pa.

Our Reporter's Report

The underwriting fraternity finds it difficult these days to generate much enthusiasm what with the relentless stiffening in money rates tending to throw a wet blanket over the corporate new issue market.

In more propitious circumstances there would be a considerably different feeling with potential borrowers readying upwards of $200 million in new issues for market within the next fortnight.

But right now with the Treasury paying the highest rates in 23 years for short-term bills, and recent corporate offerings lagging badly, the question uppermost in investment circles these days is "how to price a new issue to assure ready reception?"

People of long experience admit to being puzzled at the moment. It is not a question of money rates alone but also recognition of the fact that many institutional investors will be disposed to close their books against the year-end in the weeks ahead.

The market has been sluggish in the extreme recently with prime new issues such as those of Consolidated Edison and Public Service Electric & Gas Corp. holding around the low levels reached after their release from syndicate.

The big question ahead for bankers who may accept the task of marketing projected new issues is primarily one of "pricing" that will attract buyers in spite of other conditions prevailing.

Looking Ahead

Tending to bolster the volume of new capital offerings looking ahead, are several issues to be marketed by way of "rights" to existing shareholders. Largest issue falling in that category is Burroughs Corp.'s $30 million of convertible debentures due out on Monday.

Libby, McNeill & Libby has $10.5 million of convertible debentures and 610,664 shares of additional common primed for market on Monday via the same route while National Cash Register has $28 million debentures scheduled for offering to its shareholders on Tuesday or Wednesday.

Dallas Power & Light meanwhile will open bids on Monday for $10 million of new bonds while Michigan Bell Telephone will market $30 million of bonds on Tuesday and Long Island Lighting $20 million on Wednesday.

Financing Expansion

When the economy is gripped in a period of expansion, industry is willing to pay the going rate for money it needs even though it naturally does not like the feeling of being "squeezed" a bit.

So Trans-Canada Pipe Lines Inc., in face of hardening money rates both in this country and Canada, goes forward with its plans to raise $120 million of needed capital by filing necessary registration with the Securities and Exchange Commission.

The bulk of this business, it is expected, will be done in Canada through offering of units of $100 of debentures and five shares of common stock.

Swelling the Calendar

Socony Mobil Oil Co. Inc. gave the futures calendar a man-sized lift when it announced plans for a "rights" offering which will involve some 4.4 million shares of additional stock and provide upwards of $217 million of new capital.

This is the first financing by the big company since the Fall of 1952 when it raised about $100 million through the sale of stock to its holders.

On the current occasion management disclosed it may also raise an additional $100 million through the sale of an issue of debentures.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn.—Darven W. Oothoudt is now with State Bond and Mortgage Company, 28 North Minnesota Street.

Joins L. F. David

(Special to THE FINANCIAL CHRONICLE)

ST. CLOUD, Minn.—Peter Kollmann has joined the satff of L. F. David Company, 24 South Fifteenth Avenue.

Newhard, Cook Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Calvin B. Agee is now with Newhard, Cook & Co., Fourth and Olive, members of the New York and Midwest Stock Exchanges.

With Scherck, Richter

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — George H. Ruenzi, Jr., is now with Scherck, Richter Co., 320 North Fourth St., members of the Midwest Stock Exchange.

With Perry T. Blaine

(Special to THE FINANCIAL CHRONICLE)

ASHTABULA, Ohio—Frank C. Orr has been added to the staff of Perry T. Blaine & Co., 4519 Main Avenue.

Westheimer Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Mrs. Helen M. Fairley has joined the staff of Westheimer and Co., 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Joins Fulton, Reid

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Mrs. Sara H. Owen is now affiliated with Fulton, Reid & Co., Union Commerce Building, members of the Midwest Stock Exchange.

Now With Vercoe

(Special to THE FINANCIAL CHRONICLE)

MANSFIELD, Ohio — Henry L. Huber has become connected with Vercoe & Co., Farmers Bank Building. He was previously with Wise & Company, Incorporated.

NSTA Notes

K. I. M.

Harold B. Smith

Harold B. Smith, Chairman of the National Advertising Committee of the N. S. T. A. is locating on the Pacific Coast. His address is 2620 Avon Street, Apt. B, Newport Beach, Calif. Why not drop Harold a line.

Government Bond Portfolio And the Interest Rate Trend

By LE ROY F. WINTERHALTER*
Vice-President, The First National Bank of Chicago

In reviewing governmental bond price trend, new financing, and indicated interest rate trend, Mr. Winterhalter observes flattened yield curve favors intermediate issues to long-term obligations, which may become the new normal interest rate structure, and indicated continued booming conditions marked by credit demand exceeding supply shows little likelihood of interest rate substantially declining in the near future. Offers bankers advice regarding bond exchange for tax benefits; awaits more convincing proof Governments have reached their lowest level; suggests banks not concentrate on short terms, but acquire moderate holdings in four-five year brackets; and ponders repercussions of Suez crisis.

In reviewing developments during recent years, it is apparent that an era of fluctuation in Government bond prices has emerged as a result of dominating factors in our economic picture. Under the circumstances, it is obvious we must adjust our concepts of what constitutes effective supervision of a bank Government bond portfolio. I believe it is safe to assume that there are very few, if any, bankers who do not have a loss in their Government bond accounts.


L. F. Winterhalter

Interest Rate Trend

As recently as one year ago, when we were last gathered here, the Treasury bill rate was approximately 2.55%, as compared to the more than 3% prevailing today. At that time, the five-year rate was about 2.85% as against the recent 3.45%, and the long-term rate was about 2.94% against, roughly, 3.25% now. In analyzing these figures, you will note that the increase in yields in the period was substantially greater in the short and intermediate areas than it was in the long-term sector. As a consequence, the yield curve has continued to flatten to such an extent that current yields are more attractive from an income standpoint in the intermediate issues than in the long-term obligations. Whether or not it is desirable to confine all Government holdings to the extremely short brackets is questionable, even though the rates under present conditions are more attractive in these areas. There are other factors to be considered in this connection which we shall discuss later.

The mere fact that short rates are presently higher than long-term rates is noteworthy and poses an interesting question. Historically, this is not an abnormal situation as prior to the low interest rate periods of the '30s and '40s, the short-term rate was consistently the higher of the two. During World War I years, we had certificates of indebtedness and Treasury notes yielding 5½% and 5¾%, whereas the long-term rate rarely exceeded 5½%. Therefore, is it not a bare possibility—however far removed—that we may eventually enter into an interest rate cycle wherein higher short-term rates, as compared to long-term rates (now considered abnormal), might develop into a normal interest rate structure? It is, of course, too early to hazard a guess as to whether or not this development may come to pass, but it would seem logical to keep it in mind for future reference.

*An address by Mr. Winterhalter before the Conference of Bank Correspondents, First National Bank of Chicago, Nov. 23, 1956.

Discount And Prime Rates

Booming business tempo during the past few years, combined with the ever-increasing demand for bank credit, has resulted in successive raises in the rediscount rate and in the bank prime rate. The rediscount rate has been raised five times in the last one and one-half years to its present level of 3%, and the bank prime rate has been raised twice in the last year to its present 4%.

In this atmosphere the Treasury Department has found it necessary during recent weeks to raise $1,750,000,000 new money for current cash needs, and to refund about $9 billion of 2⅝% certificates of indebtedness due Dec. 1, 1956. The cash operation consisted of an issue of special Treasury Bills due February 15, 1957, and payment for these bills was permitted by credit to Tax and Loan accounts. The refunding offering, as you all know, consisted of two 3¼% certificates of indebtedness, one due June 24, 1957, and the other Oct. 1, 1957. The June 24 certificate can be used in payment of June 15, 1957 income taxes at par and accrued interest to maturity. These issues were well received, and every effort was made to keep attrition, the "bugaboo" of the Treasury, at a minimum. Historically, this was a milestone in Treasury financing as when the 3¼'s of 1983-78 were issued, the general opinion was that it would be the last issue with a 3¼% coupon because of influential disapproval of such a high rate. Yet, here we have a 3¼% coupon on two certificates of indebtedness, both due in less than one year. Truly, time marches on.

Factors Affecting Interest Rate Trend

There is considerable difference of opinion regarding the future trend of interest rates. We, as bankers, are primarily interested in this phase of the economic picture because of its obvious effect on Government bond prices. If we could accurately estimate the basic factors which determine the interest rate trend, obviously, we could proceed on an investment policy which would be fool-proof. Unfortunately, this type of an estimate is a very difficult one to achieve as there are so many uncertain determinants which underlie interest rate changes. Among the most important of these are the expansion or contraction of business activity, the relation between the supply of and demand for credit, and the credit policy of the fiscal authorities.

Under present conditions of substantial defense expenditures, which promise to continue high for years on account of unsettled world conditions, and because fundamental economic trends indicate, in my opinion at least, a continuation of booming business conditions, it is difficult for me to visualize a substantial easing of interest rates in the near future. The seasonally adjusted Federal Reserve Board index of industrial production rose to 145 in October, after hovering between 141 and 143 for some months, with the exception of the five weeks duration of the steel strike. This exceeds the all-time high set last December, and it is conceivable that it may have moved into higher ground since then. Gross National Product increased from an annual rate of $408.3 billion in the second quarter of 1956 to about $413 billion in the third quarter.

At this time, when almost every statistical indicator of general business activity and prosperity is at an all-time peak, it is to be expected that there would be some sacrifice of the price stability which has characterized our economy for some little time. Wholesale prices, which remained rather constant during 1953 and 1954, started climbing gradually in 1955 and have continued upward ever since. In October 1956, they reached 115.5, as against about 110 in 1953 and 1954. A combination of these factors can only result in an economy straining to expand when production is already bumping against capacity, and explains the reluctance of the fiscal authorities to pump more reserves into the system. Such action would only intensify inflationary pressures.

Optimistic 1957 Business Outlook

It is true that the housing industry has experienced a substantial adjustment, that there may be some uncertainty regarding 1957 automobile sales, and that corporate net income after taxes has tended to decline during the third quarter due to narrowing spreads between income and rising expenses. Admittedly, these factors will tend to minimize, at least to some extent, the existing inflationary pressures. However, peak activity in business is widely anticipated, and there is little, if any, evidence that a down-turn is imminent. A tight money policy will bear more heavily on some sectors of industry than on others because it is an extremely difficult, if not impossible, task to establish a fiscal policy which will be absolutely equitable in all respects. Nevertheless, business sources not only appear confident of prospects for the balance of this year, but seem rather optimistic regarding the outlook for 1957.

From the foregoing, you will note that so far as our economy is concerned, there are both optimistic factors involved and, to a somewhat milder extent, certain offsetting influences which may temper a continuing rise in activity. In my opinion, the outlook for good business is predominant at the moment, and if I am right in this surmise, the demand for credit will continue to exceed the available supply. With this background, I feel that Federal Reserve policy will continue to be directed toward restraint in expansion of credit, even though moderate amounts of reserves may be released from time to time in compliance with the announced policy of satisfying the normal expansionary factor in the economy, which is generally considered to be about 3 or 4%.

Wide Corporate Versus Government Yields

What does all this mean to the Government bond account of a bank and to the management of this account? There are eminent authorities who are of the opinion that we have reached the lows in quotations during recent weeks. Among other reasons, it is cited that yields have gone through the 1953 lows in a substantial way, and that there has been some liquidation in the stock market to obtain the better yields obtainable in the bond market. This is true, but the sought-after attractive yields are in the corporate field rather than in Governments, and I feel that the differential in yield between long-term corporates and long-term Governments is still too wide. Moreover, the economic background which we have discussed would seem to suggest a continuing excess of demand over supply of credit which, in turn, would indicate little, if any, change in the restrictive policy of the fiscal authorities.

Under the circumstances, I feel it is expedient for us to remain cautious with respect to the level of bond prices. Perhaps they have reached a level which is nearing the low for the period, but it seems to me that more convincing proof is needed that such is the case. For banks in the 52% tax bracket, there is ample opportunity to take advantage of swaps in the same maturity brackets to ease, insofar as possible, the tax impact. For those who have been carrying long-term bonds at a loss, for one reason or another, here is a golden chance to shorten maturities and at the same time effect tax savings by so doing. During recent months, the main activity in the bond section of the market has been the shift from one maturity to another for the purpose of acquiring tax benefits. Individual and local conditions vary considerably, however, and I think it is advisable to obtain the advice and counsel of a tax specialist before effecting such exchanges.

Portfolio Suggestion

The present market level of Treasury bills and certificates of indebtedness, however, could conceivably react to the disadvantage of the investor bank. Earlier I referred to this briefly when I questioned the advisability of confining a large proportion of a bank's holdings to the extremely short-term sector because of the attractive rates available in that area. A bank that restricts its entire portfolio to short-term maturities may someday find that it is being forced to refund its high-yielding short issues into others with a lower yield because of sudden and drastic changes in the interest rate structure. To guard against such a contingency for banks in this position, I would be inclined to suggest consideration of the acquisition of a moderate amount of holdings in the four and five-year brackets. The 2¼'s of 1962-59, 2⅛'s of Nov. 15, 1960, and the 2½'s of Nov. 15, 1961 offer very attractive yields in the intermediate maturity range, and a modest investment in these issues would serve to freeze their attractive yields over a period of years without undue market exposure. Even though it is possible that somewhat lower levels may be reached before there is a change in the intereset rate trend, these issues could undoubtedly be held to maturity and would be good insurance against an easing of rates.

Summing Up

Summing up, I feel that caution should still be the guiding principle in the supervision of a government bond account. The indicators I have outlined appear to me to point to continued high business activity, substantial demand for credit already in short supply, and no diminution of the restrictive monetary policy of the fiscal authorities. These factors are all related and unless they change materially, I feel we should not rule out the possibility of a further rise in both the rediscount rate and the prime rate. Maturity extension should, therefore, be avoided insofar as possible, and activity in the government bond account should be confined mainly to exchanges for tax benefits, and the rearrangement of existing maturity schedules to freeze, in moderation, the attractive yields available in the near term intermediate issues. Of course, if the present explosive international situation should develop into a full scale war, there will be little need to worry about interest rates and government bond price fluctuations. As a matter of fact, the dislocations already evident in the world economy due to the interruption of Suez Canal shipments and destruction of Middle Eastern oil pipe lines have created new pressures on rising prices and may cause repercussions which at present we cannot accurately evaluate.

Handforth Associates

JERSEY CITY, N. J.—Handforth Associates has been formed with offices at 26 Journal Square to engage in a securities business. John Handforth is Principal.

Now Daniel & Co.

WASHINGTON, D. C.—The firm name of Seaboard Securities Corporation, 1411 Pennsylvania Avenue, N. W., has been changed to Daniel & Co., Ltd.

Now F. W. Horne Co.

CONCORD, N. H.—The firm name of the First New Hampshire Corporation has been changed to F. W. Horne & Company. Offices will be located in Rochester, New Hampshire.

New Dean Witter Branch

PHILADELPHIA, Pa.—Dean Witter & Co. have opened a branch office in the Philadelphia National Bank Building under the direction of George W. Schwinn, Jr.

Low Monetary Growth Rate And the Business Outlook

By BERYL W. SPRINKEL*

Economist, Harris Trust & Savings Bank, Chicago

Observing that the current monetary growth rate is the lowest on record since 1909, Harris Bank Economist ponders whether this may be one exception to the general pattern of the past when it was invariably accompanied by or shortly followed by a cyclical downturn. Mr. Sprinkel concludes that monetary conditions may make $20 to $30 billion GNP increase difficult if not impossible; and calls attention to effect upon business boom going into its third year if: (1) inventories become burdensome with a slight sales drop; (2) plant and equipment outlays level and decline as in 1954; and (3) recently stable construction spending declines well into 1957.

I

Areas For Consideration

I would like to direct your consideration to these critical assumptions for a few moments.

(1) In general, I certainly agree with "spending stream" approach taken by most speakers.

Dr. B. W. Sprinkel

(2) Find that it is sometimes useful to ask if answers derived appear to be reasonably consistent with the apparent "monetary" possibilities.

(3) There is considerable disagreement among economists as to significance of money factors. Some believe this has little effect. Some believe monetary factors important and under some conditions of critical import. I belong to the latter school of thought as I believe empirical observation supports this view.

Although much of what I say may appear to have bearish implications, I do this not because I am convinced that a downturn is imminent, but rather to draw discussion to some factors that deserve serious consideration before we accept the generally optimistic view heretofore reflected by this conference.

I am in the fortunate position of not having to make a forecast for 1957 for another six weeks, so I can afford to continue to weigh pluses and minuses for a while longer until a "fix" becomes necessary. Furthermore, when a boom is well into its third year, we should look carefully for possible areas of weakness.

Money Growth Rate and Recessions

What do we know about monetary growth, money turnover and the business cycle?

(1) I think we must first admit that we do not know what the optimum rate of monetary growth consistent with price stability and full employment may be.

(2) Does this mean we are stymied and can proceed no further? I think not.

(3) We do know how velocity and monetary growth have acted in past cycles.

The statistical evidence may be summarized as follows:

(a) Money turnover tends to rise and fall with the business cycle.

(1) Many factors affect this trend including the attempt by business to utilize cash balances more intensively due to higher costs of retaining idle funds.

(2) We know that, historically, rising velocity has been able to sustain for sometime a rising spending trend even though monetary growth was reduced.

(b) We also know that every recession or depression since 1909 has been shortly preceded by a substantial reduction in the rate of monetary growth.

(c) Also, statistical data indicate that in this entire period there has never been a rate of monetary growth as low as the current one that was not accompanied by or shortly followed by an economic downturn.

Does this information prove that we are headed for a downturn?

(a) Certainly not, for this may well be the exception to general pattern of past, and

(b) Should lead us to ask if there is further room for velocity increases.

Some evidence is relevant.

(1) Seems unlikely that consumers have not been primarily responsible for velocity upturn of past two years.

(2) Business has succeeded in conserving on bank balances.

(a) Current stress placed by banker on maintenance of higher compensating balances suggests this trend may be nearing an end.

(b) Banks possess very effective club of denying funds to firms that do not conform, as chances of shifting borrowing to other banks where not required are not good.

(3) Furthermore, we know that seasonally adjusted debit velocity of banks outside money market centers has dropped 4% in past two months.

(a) Tends to be closely correlated with income velocity.

(b) Yet is premature to conclude this is a trend until further evidence is avilable.

(4) Other suggestions of a leveling or declining velocity comes from recent loan trend.

(a) Velocity tends to be closely related to rate of loan expansion.

(b) Does not matter for our purpose if is causal or two trends have a common cause.

(c) Current rate of business loan expansion has slowed materially in recent weeks suggesting like trend in velocity. Data are more current than direct velocity observation.

Policies During 1953-1954

If we agree there is some reason to doubt velocity rise can continue, what about position of monetary policy change allowing increased monetary growth sufficient to support earlier spending estimates.

(1) Here again I must plead considerable ignorance.

(2) We have had only one example of a flexible money policy in a business downturn.

(3) That evidence suggests easier money can provide support to a sagging economy, but only with a lag.

(4) Had reversal from restriction to ease in June, 1953, brought about by congestion in securities markets rather than clear indication of receding business.

(5) May well not be so fortunate this time as security markets are adjusted to flexible money market.

(6) Certainly we can expect any future turn in monetary policy to be prompt after Federal Board is convinced business trend has reversed. Cannot hope, however, that Board will have superhuman clairvoyance.

(7) Even with prompt action in 1953 rate of growth in money continued to decline for nearly one year. Velocity turned down shortly after turn in business trend.

(8) Only several months after the rise in monetary growth near mid 1954 did economy turn up. About 15 months after reversal in monetary policy.

(9) Furthermore, substantial tax cuts also undoubtedly aided the upturn. Downturn brought on largely by lower Federal spending; not weak private sector.

(10) One cyclical experience with flexible money suggests that even with prompt monetary action there exists a significant lag between timing of reversal of policy and later reversal of declining business trend.

The foregoing is not meant to imply Federal policy has been too restrictive in recent past.

(1) With rising velocity and inflationary pressures, it is clearly in our best interests that policy be restrictive.

(2) This is meant merely to suggest that even if we get prompt reversal when business trend changes there may be some difficulty in promptly encouraging expansion of spending.

II

Other Vulnerable Areas

Let us assume for the moment that we conclude there is some doubt about monetary factors allowing an increase of $20 to $30 billion in Gross National Product next year. Are there areas of spending that might be vulnerable?

(a) It seems unlikely consumption would drop. Service and non-durable trend. Durable sector might well evidence weakness.

(b) Government spending does not appear vulnerable under assumed conditions.

(c) Business investment.

(1) Here inventories might well become burdensome with only slight sales drop. Shift from plus to minus.

(2) Profits and earnings might well level and decline as in 1954. Retail sales and profit trend. Would not expect sharp contraction.

(3) Construction spending might decline well into 1957 following the recent stability.

(4) These changes could be sufficient in aggregate to reverse spending and business trend.

Conclusion

In conclusion I want to suggest:

(1) Monetary conditions may make $20 to $30 billion increase in Gross National Product difficult if not impossible.

(2) I have not yet convinced myself that business reversal is imminent but neither can I yet buy the unbridled optimism reflected in many of the earlier papers.

(3) Clearly current momentum will carry for a few months, but what about the latter three quarters of 1957?

*From a summary talk by Mr. Sprinkel at the Fourth Annual Economic Outlook Conference, University of Michigan, Nov. 16, 1956.

Five With Allen

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — George W. Dorsey, Warren V. Huskie, Arnold F. Kretzmann, Marvin E. Michael and Charles Schoenecke have been added to the staff of Allen Investment Company, Mile High Center.

How to Minimize Stock Market Risk

By LEWIS D. GILBERT*

Mr. Gilbert stresses advisability of maintaining long-term positions, broad diversification, and maintaining cash for emergencies. Cites advantages of bonds and preferreds with convertible privileges. In managing a common stock portfolio, points out benefits, with specific examples, of establishing and maintaining with patience, a varied representation of issues. Advocates staggering of purchases, and attending annual company meetings as other implements to minimize investor risk.

My topic is one which is very dear to me. It is because over the years I have learned how to "minimize risk" that enables me to attend annual meetings and devote my time to the public interest of all shareholders.

Lewis D. Gilbert

This is perhaps the place to remind you that I am not an investment counsel, and that what I am telling you is simply to call to your attention the very successful policies which enable our family portfolio to go ahead so nicely over the years, staying constantly on the credit side of the investment ledger.

To begin with — note that the stress is most properly on the word "minimize" not elimination of risk. Ownership of shares implies risk—all business is a risk. For that matter, even cash or money in the savings bank involves a certain amount of risk, too. This is because of the uncertainties of the purchasing power of the dollar, as we all know by now.

The same statement applies to bonds of all categories not excluding governmental and state issues, of course.

So the wise investor recognizes and does not worry over the fact that a certain degree of risk in investment is inevitable. Those who have watched the rise and fall of stock prices in recent months should be able to see for themselves. We have always known it and that is why we pay so little attention to the daily fluctuations in securities.

Never Sell!

My own family never sells common stocks, except in the most unusual circumstances. We maintain that the risks of selling shares in which one invests outweigh the risk of keeping them—and you would be astonished if I were to tell you how often this proves itself, even in the most doubtful situations. Now to be able to follow a policy such as that I outline to you, diversification must be the keynote of the portfolio. Buying heavily into a situation, in my opinion, is not for the average investor. That should be left to the speculator who wants to make a killing or be killed in the attempt, or one who wants control of a corporation.

Next in our objectives in the program of broad diversification is the need for keeping some cash for emergencies, so as to avoid forced sale of securities. The savings bank is another way of extending this kind of diversification, as are government bonds, corporation bonds and preferred stocks.

Advantages of Convertibles

In buying such bonds and preferred stocks, do not overlook a certain number of convertible bonds and convertible preferreds, either. This is another way of minimizing risk and securing maximum benefit, because one has the opportunity for enhancement of values over the years, if the common shares of the company happen to rise.

Benefits of Diversification

Having put aside a certain amount of money for the purposes mentioned, we are now ready to pay attention to our common stock investment program. I repeat what I always say, one cannot have too much diversification, even if it involves bookkeeping. A well-known investment trust which practices diversification in its common stock portfolio, recently stressed this factor when it pointed out that the building in which their offices are located in San Francisco is a 30-story class "A" fireproof structure. It is insured for over $6,000,000, yet even though the probability of its burning down is exceedingly small, the largest amount of insurance risk by any one company insuring the building after reinsurance is less than 3% of the insured value.

As I said before, recent weeks have noted declines in a number of stocks due to the international situation and other causes. Yet even now in a period of uncertainty, a good number of the many investments we have in small amounts in corporations, have actually been either more than holding their own or making new highs. Let me say that many of these were way down when others in the blue chip class were soaring.

I always like to give names and I will now quote from memory a few of these many examples. There is Royal Typewriter. For years this one did badly and many an investor foolishly disposed of his shares. Now it is well over $30 a share. De Vilbiss is another laggard which has come to life, as has Bristol Myers.

Walworth, which no one wanted a few years ago, is now up from 6 to 20 and we have disposed of our convertible bonds which we bought at 70 at 104. We had enough of the common cheaply, so why convert now that the issue is called? We simply used the proceeds to buy other bonds and stocks which we still thought cheap.

American Machine and Foundry, which was held back for many years because of loss from one of its now most profitable divisions, the pin spotter, is another example of how the principle of diversification is paying off. Lukens Steel, which many thought would never come to life, is now split two-for-one, and is selling close to 110. U. S. Steel, too, and Curtiss Wright have also been making new highs. Mack Truck is another.

Now the many examples of stocks such as these, which have been in our portfolio from the times in recent years when no one wanted them, certainly more than make up for the fact that stocks like Du Pont or General Motors are not selling as high as they did some months ago. It enables us to hold with equanimity such stocks as Merritt-Chapman and Scott, Loew's, Lorillard, Westinghouse and similar issues which have

*A talk by Mr. Gilbert before the Public Foundation for the Economic Education of Women Inc., Hotel Roosevelt, New York City, Nov. 12, 1956.

been depressed for one reason or another in recent months.

Minimizing Risk

I certainly do not want you to get the impression that every depressed stock is going to go up. Some may never do it. I simply say that if a policy of diversification in order to minimize risk is followed, one does not come off badly at all, and the risks of having "missed the boat" by not having the patience to hold on is thus avoided.

To follow such a long-term investment policy means, however, you must also follow certain ground rules. There must be no stock held on margin. One must never borrow to buy the shares. International crisis will come and go, and the markets will have severe periods of recession as well as boom, so I maintain that only the investor with steady nerves and who is not emotional, can hope to come out ahead of the game.

Our next rule is never put too much of your capital into any one company—let the stock dividends over the years and the splits take care of providing you with increased sizable holdings.

There is another rule which I want to call to your attention if you want to minimize risk. I only use it in exceptional cases, but I want to call it to your attention. When one has reason to be really scared of an investment which has done remarkably well, and you think the price is out of line, you can sell enough of your holding to get the capital out of your security. Then keep forever the rest of the holding which costs you nothing. If your judgment is wrong, you will still benefit in any further rise which may ensue, instead of being out in the cold as would happen if you sold it all.

Staggering Purchases

Another way of minimizing risk is to stagger your purchases of stocks. Suppose you are left $10,000 or your business has made that amount. Don't rush in and buy your new holdings all the same week. Do it gradually, then some will be bought at periods when the market happens to be down.

If you want to avoid real risks, and assuming you are only buying in moderation, remember the greater risk is likely to be in buying a share which has had a recent rise. The cream may well be off. When you buy what others want, you are competing and pay dearly; when you buy what the others do not want, you get the most for your money.

If you want to minimize risk, do not hang around brokerage offices watching the ticker—leave that to speculators. The misinformation you will get will cause you much regret. I am thinking of one person who, after hearing me say that Mack Truck at 12 had only 12 points to go to 0 and the law of averages favored a recovery rather than extinction, went and bought it. Then because he sat in brokerage rooms, someone told him it was a bad company—he listened—now it is 40 and after a number of stock dividends it is really higher and has just declared the first cash dividend. Not bad for a company which only a few years ago was behind in its payment to the banks.

So instead of sitting at brokerage offices—remember the broker should be exactly that, nothing more—he should be the person to see that you get the stock you want to buy, not your advisor. In other words, his role should be that of your agent—nothing more. Go, instead, to the annual meeting.

The Annual Meeting

If you go to the annual meeting you will be astonished to see how much can be done to minimize your risk in that security. The more management is questioned at the annual meeting, the more its decisions are subject to scrutiny, the less the risk in your investment.

Stockholders not being part of management have a more detached viewpoint, and for that reason, can see more quickly than management in some cases what has to be done or what is causing the trouble.

When you see me making a fuss at an annual meeting on some point, it is not just to be a thorn in the flesh of the management. It is because, as a partner, I am stating my views. I do not pretend to be omnipotent or always right, but time after time I saw the error when the management bought a company, because it did not belong in the outfit. If I am so insistent on full disclosure, it is because this is the best way to minimize risk that I know. When I insist that we have a right to know how much was paid for a property or what divisions are losing money, this is back of my question.

For years we have been concerned, for example, with the fact that Avco has not done as well as it should. I insisted each year at the meeting on knowing which divisions were in the red. Management was not happy about telling us, but swallowed the pill and did it. Our prodding on the subject unquestionably helped in the making of the fine decision the other day to dispose of the Crosley division which was causing the trouble.

I had seen that a consumer product to be sold to the public, even if a good one like Crosley, had to compete with much bigger companies. I continue to say that a small company can only build a permanent market for its products in competition with the giants, if a system of discounts for company products is worked out, thus making real use of the ownership.

I never could sell the management the idea, so that the other decision was the only alternative, and I rejoice that Victor Emmanuel has now taken it.

So go to the annual meetings remembering that management does not have all the answers, anymore than the shareholders, but that the interest you take in the affairs of the corporation you are an owner of will have a lot to do with the element of risk in the situation.

Municipal Bond Review

By GEORGE B. WENDT*

Vice-President, The First National Bank of Chicago

Chicago banker appraises the municipal bond market prospects and concludes: (1) toll road financng declined due to Federal Highway Act and drop in prices for those bonds; (2) lower bond price levels are due to tight money, heavy volume of new bond issues and substantial undigested backlogs; (3) commercial bank government holdings are up slightly over a year ago; and (4) individuals and banks are entering the market in greater numbers, attracted by currently attractive yields. If new issues are in reasonable numbers and distribution expands, Mr. Wendt believes price may level off.

Since the beginning of this year, the volume of municipal bond flotations has been at a high level continuing the trend of the past decade. According to the "Bond Buyer," $4,679,000,000 par value of bonds had been added to the books by Nov. 1, or approximately 5% less than in the comparable period of the preceding year. This was chiefly accounted for by $350,000,000 bonds being withdrawn from sale during the third quarter. From indications available at the moment, it is not anticipated that the final total will soar to the $6 billion mark recorded at the close of 1955.

George B. Wendt

Toll Roads and Federal Highway Act

Those bond issues supplied the funds to meet the customary capital needs of our states and political subdivisions for schools, highways, bridges, housing, and other public improvements. Thus far this year new toll road financing has been conspicuously absent. Two reasons predominate for the paucity of that category of municipal bond underwriting. First, the enactment of the Federal Aid Highway Act of 1955, the substance of which authorizes the construction of a 41,000-mile system of Interstate and Defense Highways at an estimated cost of $27.5 billion. The Federal Government will provide 90% of that cost, or approximately $24½ billion, and the states the remainder. The Federal funds will be derived from increased taxes on gasoline (2 cents to 3 cents per gal.), tires (5 cents to 8 cents per pound) and trucks and buses (to 10% from 8%) which went into effect on July 1.

There is the possibility that a few of the states may find it necessary to raise a part of their shares of those highway costs through bond issues. But, as the completion of this road building program is scheduled over a 13-year period, the probability of any large state financing therefor is perceptibly diminished, especially as several of them have already increased their gasoline taxes. Furthermore, the Act, as finally passed, eliminated all possibility of any Federal road bond issues as was originally proposed. Moreover, recently publicized statements from official sources assure that the Federal road program will not conflict nor compete with toll roads now operating, or those authorized and contemplated to be under construction in the immediate future. Secondly, and perhaps a more important explanation for lack of new toll road financing, was the drastic drop in prices for those bonds. In some instances they have depreciated as much as 19 points from their original offering prices, while in certain other situations the declines were considerably greater. To a large extent, those fluctuations reflect the disappointing results from operations of newly-opened facilities whose revenues fell short of the rosy estimates projected when the securities were marketed.

Municipal Bond Market Status

Notwithstanding the steady volume of flotations, spectacularly large bond issues were uncommon during the past ten months. With the exception of two "revenue" bond deals of $100,000,000 and $166,000,000, none of the general obligation underwritings approached them in size. The largest among the latter category was the recent sale of $57,600,000 Commonwealth of Massachusetts bonds. The New Public Housing Authorities only appeared in the market place twice with borrowings aggregating $198,535,000.

The monetary authorities' policy of credit restraint, inaugurated the latter part of 1954, continues to prevail and has had its repercussions in the securities market, including tax-exempt bonds.

The pressures on the market finally forced the Dow Jones municipal bond price averages (as of Nov. 19, 1956) to 3.23%, down below their 1953 bottom of 3.06% and passing the 1939 low point of 3.09%.

A comparison of yields, in the first weeks of January and November of this year, of actual offerings of AAA rated bonds in the 5-to-20-year maturities discloses a drop in bond prices averaging 55 basis points, with about the same ratio of decline applying to AA and A rated bonds also. (See table.)

Tight money, a heavy volume of new bond issues, plus substantial backlogs of undigested older offerings constitute the principal contributing elements to the lower price levels.

Banks' State-Municipal Portfolio

What effect has this downward trend of the securities markets had on banks' municipal portfolio? It is interesting to note the tabulation of holdings of state and municipal obligations of all insured commercial banks. On June 30, they totaled $12,730,551,000, which is 1.17% higher than a year ago. It is evident that bank holdings of those investments have not only remained exceptionally stable, but are up slightly, in all likelihood due to the prompt reinvestment of maturing bonds. It also seems apparent that commercial banks have realized the bulk of their requirements for loanable funds primarily from liquidation of U. S. Government obligations.

Undoubtedly, the most notable development in the municipal field during the past year was the submission to the voters three weeks ago of a record $2,700 million of bond proposals. That amount exceeded by a billion dollars the previous record established seven years ago. Municipalities and states from coast to coast participated in the parade with their propositions varying in size from $1 million up to $500 million.

New Bond Approvals

While the outcome of elections is unpredictable, it was unlikely that even the most informed sources expected the voters to be in so generous a mood by granting approvals to 90% of those proposals. In fact, the result upset the precedents of pre-World War II years as well as being a complete reversal of last year's verdict when the majority of the issues then submitted were defeated.

Veterans' bonus and aid proposals, together with schools and highways, in the order mentioned, were the principal purposes that received the green light. Other important proposals approved, included those for water, street, airport, and recreational activities.

At this time, it is problematical when the various bond issues will be ready to enter the market; however, it is anticipated that a rather substantial amount of them can be expected to develop during the course of the ensuing year.

Municipal fiscal officials are expressing concern about the current higher interest costs of borrowings. Consequently, some of them are already initiating plans to sell in the immediate future at least a part, if not the entire amount, of the new authorizations.

The marketing problems that will be encountered by municipal finance officers present an excellent opportunity for you to render a significant public service to your communities by offering constructive advice on the appropriate procedures to follow.

Commercial Bank Participation

For example, experience has demonstrated on more than one occasion that a community would have benefited by obtaining a lower interest cost on their obligations, had such advice been forthcoming. The timing of sale is also an important consideration and with the heavy volume of new flotations ahead should be carefully examined before deciding on a date for the offering of an issue. I cite this as one instance of many, where your judgment and knowledge of market conditions can be exercised for the public good and its pocketbook as well.

At the last session of Congress, Senator Bricker of Ohio introduced a bill to amend the Banking Act to permit commercial banks to participate, within limitations, in "Revenue" bond underwritings. No action was taken on that bill up to the time Congress adjourned last June. Less than two weeks ago the American Bankers Association formally requested the Senate Banking and Currency Committee to broaden the marketing possibilities of municipal securities by granting authority to national banks to deal in and underwrite "revenue" bonds. It was pointed out that if such legislation were enacted "State member banks of the Federal Reserve System, unless otherwise restricted by State law, would have the same previlege." The original bill had the endorsement of the American Municipal League, Conference of Mayors, many State municipal associations, as well as innumerable municipalities. It is expected that similar legislation will again be submitted for consideration by Congress when it reconvenes after Jan. 1.

During the year, municipal bond prices reacted downward following all other divisions of the capital markets. Large volume, sluggishness in distribution, heavy demands for funds from other segments of the economy, tight money and critical international developments were underlying factors responsible for that reaction.

Just prior to the re-election of President Eisenhower, a quietus in the market was evident when many major issues were withheld from sale. Since then, on less than the normal number of flotations, the market has drifted somewhat lower.

A burdensome backlog of inventory, together with the recent substantial approvals by the voters, further tends to overshadow the long-term picture. On the other hand, currently attractive yields are showing signs of a potential increase in the demands for tax-exempt securities. In the course of the past few weeks, buyers have displayed a keener interest in them by absorbing the majority of new financings. Though institutional investors have been more or less on the sidelines, individuals are entering the market in greater numbers, attracted by the advantageous returns now available. Within the past ten days, renewed activity on the part of banks has also been noticeable.

While the prevalent impression of the market inclines toward an irregular downward trend, due to uneasiness over the Middle East and Eastern European situations, there is a fair possibility of a leveling off; provided, the supply of new issues is kept within reasonable limits and distribution continues to expand.

*An address by Mr. Wendt before the Conference of Bank Correspondents, First National Bank of Chicago, Nov. 26, 1956.

APPENDIX

Yield Range Municipal Bonds

		Due 1961	1966	1971	1976
AAA	*November, 1956	2.25%	2.45%	2.53%	2.70%
	January, 1956	1.80	1.90	2.00	2.10
AA	*November, 1956	2.46	2.68	2.80	2.88
	January, 1956	2.00	2.15	2.25	2.35
A	*November, 1956	2.81	3.14	3.26	3.43
	January, 1956	2.28	2.50	2.65	2.80
BAA	*November, 1956	3.07	3.54	3.69	3.76
	January, 1956	2.60	2.90	3.00	3.15

*As of Nov. 1, 1956.

Dow-Jones Municipal Averages
(Long-term Bonds)

First week in:	1956	1955	1954	1953
January	2.55%	2.38%	2.52%	2.45%
July	2.65	2.52	2.31	3.02*
November	3.08	2.47	2.31	2.56

*Federal Reserve policy changed June, 1953 to ease money market.

Floating Supply of Municipals
(000's omitted)

Beginning of month:	1956	1955
January	$250,311	$233,610
April	264,845	236,123
July	273,662	285,605
September	189,336	176,417
November	267,145	219,915

30-Day Visible Supply Municipals
(000's omitted)

Beginning of month:	1956	1955
January	$203,052	$326,882
April	198,434	283,545
July	219,487	440,640
September	230,575	155,142
November	172,066	411,957

Patterson Elected to NASD Bd. of Govs.

DENVER, Colo.—Donald L. Patterson, Boettcher & Co., Denver, has been elected to the Board of Governors of the National Association of Securities Dealers.

Donald L. Patterson

Two other Denver investment securities men have been elected to NASD's District Committee No. 3 (Arizona, Colorado, New Mexico, Utah and Wyoming). They are: Edward B. Coughlin, Coughlin & Co., and Edward A. Hanifen, E. A. Hanifen & Co.

Young Women's Inv. Ass'n Formed in N. Y.

The recently organized Young Women's Investment Association of New York held its initial luncheon meeting Nov. 28.

Miss Nancy Zuger, of the Syndicate Department of Bache & Co., and the first President of the organization, explained the purposes of the group. "We have formed this association to vitalize and broaden our work, by getting to know each other, exchanging ideas and keeping ourselves posted on the securities business," Miss Zuger said. Further, she stated, "we feel that we have a professional responsibility in helping the public to understand more fully the investment field by making talks to various groups."

Amyas Ames, management partner in Kidder, Peabody & Co. and the guest speaker at the meeting, discussed Wall Street's expanding program of public education and the part women can play in this program.

Other officers of the association are Susan Rappaport, of Merrill Lynch, Pierce, Fenner & Beane, Vice-President; Audrey Hochberg, of Shields & Co., Secretary, and Nancy McMamara, of The First Boston Corporation, Treasurer.

Joins Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C. — Virginia Barrett has joined the staff of Bache & Co., Johnston Building.

Parker, Ford Branch

FT. WORTH, Tex. — Parker, Ford & Company Inc. have opened a branch in the Electric Building under the management of C. Thomas May, Jr.

Waddell & Reed Branch

CHARLESTON, S. C.—Waddell & Reed, Inc. have opened a branch office at 8½ Exchange Street under the direction of Marcus R. King.

Form American Nat'l

JACKSONVILLE, Fla.—American National Securities Inc. has been formed with offices at 317 West Forsyth Street to engage in an investment business. A. E. Cobb is President of the firm.

Johnson & Geisler Formed

(Special to THE FINANCIAL CHRONICLE)

POMPANO BEACH, Fla.—H. G. Johnson and H. N. Geisler have formed Johnson and Geisler to engage in a securities business. Mr. Geisler was formerly associated with Roger G. Johnson & Co.

John Nuveen Names Three Vice-Presidents

CHICAGO, Ill.—Election of Miles Pelikan, E. H. Davis and Jackson E. Cagle as officers of John Nuveen & Co., 135 South La Salle Street, effective Dec. 1, 1956, was announced by C. W. Laing, President of the 59-year-old investment banking firm. All are veterans of John Nuveen & Co., the oldest and largest organization in the United States dealing in municipal securities exclusively. Mr. Pelikan and Mr. Davis have been elected Vice-Presidents in charge of Underwriting and Research, respectively; Mr. Cagle has been named general counsel.

Miles Pelikan

E. H. Davis

Jackson E. Cagle

Mr. Pelikan, Manager of Nuveen's underwriting department since 1954, came to the organization from Associated Telephone and Telegraph Co. in 1934. He was Resident Manager of Nuveen's Los Angeles office from 1947 to 1954, when he returned to Chicago to head the company's nationwide underwriting activities.

An alumnus of the investment and research departments of the Harris Trust and Savings Bank, Chicago, Mr. Davis joined Nuveen's Research Department in 1941 and became its Manager in 1949. He also is responsible for the company's promotional and advertising activities and is author of material dealing with municipal securities, including a widely-used textbook, ". . . Of the People, By the People, For the People . . .".

Mr. Cagle is a native of Texas, a graduate of Northwestern University with a BS degree and of the Northwestern University Law School with degree of Juris Doctor. After six years of private practice in Chicago specializing in municipal law, he became associated with John Nuveen & Co.'s Underwriting Department in 1934. Mr. Cagle is nationally known as an expert in revenue bond law. He was a Lieutenant, USNR, during World War II, serving as gunnery officer.

Established by the late John Nuveen, Sr. in Chicago in 1898, the co-partnership was incorporated in 1953, the company's directors and other officers being John Nuveen; L. L. J. Howe, Chairman; C. W. Laing, President; Frank C. Carr and George J. Gruner, Vice-Presidents; Walter R. Sundling, Secretary and Treasurer; Carl T. Nelson, Jr., Assistant Secretary. The company maintains offices in New York, Chicago, Boston, Cincinnati, St. Paul, Los Angeles, Cleveland and Detroit, the latter two having been established in 1956.

Continued from page 2

The Security I Like Best

magnitude of Grace. To give some idea of the scope of their operations, they own and operate the following:

The Grace Line—a fleet of 26 vessels, which have a capacity of 250,000 tons—operating between the United States and South and Central American ports. Along with these operations they conduct port operations of considerable size at each point.

Together with Pan American World Airways—they own and operate Pan American-Grace Airways (Panagra), which airline serves intermediate points in Colombia, Ecuador, Peru, Bolivia, Chile and Argentina.

Grace National Bank of New York, which conducts a general commercial banking business in the U. S. as well as with banking institutions in South and Central American countries.

Through another New York subsidiary, Griswold & Co., Inc.—conducts a very successful general insurance brokerage business.

The Foster & Kleiser Division—which is the second largest outdoor advertising firm in the country—did a $19 million business in 1955.

Some of its important foreign enterprises are ownership or control of seven cotton mills and a woolen mill in Peru, Chile and Colombia: sugar growing and refining; paper making—with a process which utilizes bagasse, flour milling, tungsten and tin mining; also—a vegetable oil and lard plant, paint plants, cement plants, a biscuit and candy factory. They operate large sugar estates, and in the Republic of Guatemala they own and operate six small coffee plantations, with an annual production averaging 750,000 lbs. of green coffee.

Grace's chemical manufacturing activities are conducted by Grace Chemical Co., Davison Chemical Co., and Dewey and Almy Chemical Co.

Total sales from all activities in 1955 were $427 million, compared to $413 million in 1954. Earnings on the common stock in 1955 were $4.16 per share, compared to $3.36 in 1954, $3.17 in 1953, and $2.65 in 1952.

The big reason for all this growth in recent years is—*Management.* In the past few years, J. Peter Grace—43-year-old President, and his outstanding and aggressive management team have been searching consistently for new growth enterprises that could be profitably added to the Grace empire.

The trend at present is that the big growth in the future will be mainly in the chemical and paper divisions, and if all goes well in the drilling department-oil exploration. Grace consummated a deal in 1956 to acquire a 49% interest in Texas Gulf Producing Co.'s venture in Libya, which holds concessions covering about 25 million acres.

As Grace's chemical operations are its biggest business, let's dwell on this for a moment. Sales volume and profits reached new levels in 1955, due largely to the Davison Chemical Co. and the Dewey & Almy Chemical Co. divisions. It is estimated that in 1956 the largest industrial chemical sales of approximately $40 million will be contributed by Davison's synthetic petroleum catalyst operation. These products are used in catalytic cracking processes for the production of high-octane gasoline.

Grace has an investment of approximately $45 million in agricultural chemical operations, which generate annual sales volume of $60 million.

Dewey & Almy Chemical Co. produce chemical specialties, which are estimated to reach a sales total of $65 million in 1956.

Paper production in the future will be substantially expanded in Latin America. In Peru, Grace makes paper from bagasse, which is a sugar cane waste, and is described as a continuous quick pulping method to make pulp in a matter of minutes instead of hours. Capacity in Peru will be stepped up from 26,000 tons to 36,000 tons annually. In the next four years, the company's paper production may increase to 100,000 tons annually, which should generate about $25 million in sales, as demand for paper is strong in South America.

Therefore, the future looks exceptionally bright for Grace. The current fleet in the Grace Line will be replaced over the next 20 years in a program costing $286 million, of which Grace will supply approximately $145 million. (Subsidy agreements will assist on balance). This is expected to generate an increase in steamship earnings of 50% above current levels by 1959.

Capital expenditures in 1956 are estimated at $60 million, and Grace expects to authorize, during 1956, capital expenditures of $100 million. About $50 million of this will be ear-marked for the domestic and foreign chemical operations.

With an excellent past record, sound financial condition, and a management that displays vision and ability to utilize its unique position in geographical growth—it seems to me that the common stock of W. R. Grace & Co. is attractively priced.

With Philip Glanzer

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Richard H. Johnson has become affiliated with Philip Glanzer, 8549 Wilshire Boulevard.

With McCormick & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Irving N. Plant has become affiliated with McCormick and Company, 3761 Wilshire Boulevard.

Heritage Fund Distributors

Heritage Fund Distributors, Inc. has been formed with offices at 33 West 42nd Street, New York City, to engage in a securities business. Officers are S. Spencer Grean, President; Hiram G. Shields, Vice-President and Treasurer; and E. A. Hagquist, Secretary.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn. — Thomas J. Bilodeau is now with State Bond & Mortgage Company, 28 North Minnesota Street.

Harris Upham Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Robert E. Lacy has become affiliated with Harris, Upham & Co., 912 Baltimore Avenue.

Two With Hill Brothers

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — William A. Abbett and Richard C. Houser have become associated with Hill Brothers, Security Building, members of the New York and Midwest Stock Exchanges. Mr. Abbett was previously with Dempsey-Tegeler & Co.

Diversification in Industry— Taking in Other Fellow's Washing

By C. NORMAN STABLER*

Financial Columnist of the New York "Herald Tribune"

While citing the sound reasons prompting corporate diversification, as technology, taxes, human desire for growth, use of excess funds and need for broader markets, Mr. Stabler maintains it manifests a craze which is being overdone. Says it signifies specialization has given way to integration, requiring executives "who can keep ten balls in the air at one and the same time." Gives numerous examples of grotesque mergers, concluding there is still wisdom in the saying "the cobbler should stick to his last."

I wish to talk with you about the laundry business. It is universal; it represents a trend in industry in the last few years; it is the feature that is typical of today's economy. Expressed another way, it is the business of taking in the other fellow's washing or, in more refined language, "Diversification in Industry."

There are sound reasons why diversification has become the fad. No longer is the success of a business management measured solely by the monetary return it can show on a dollar of investment. In addition to this, it must also qualify as a growth situation, one in which assets, gross and net income always show a plus over the preceding year. There can be no such thing as standing still. To you modern businessmen, even to come near standing still is tantamount to regression.

An Outmoded Principle

For more than 2,000 years there has been a familiar saying, "Let the cobbler stick to his last." It is ascribed to Pliny the Elder, a Roman philosopher who, by today's standards, would be considered misguided. Were he alive today he might think that a steel company should make steel, that an oil company should produce, refine and distribute oil, and that a sugar company should do the same with sugar.

Such thoughts are completely outmoded now. We have progressed far beyond the concept that one should make a career of minding his own business.

Technology and Taxes

There are reasons for this. Technology is one of them; taxes are another. Technological developments come so rapidly that it is impossible to stand still. If the market for one product becomes saturated, and cannot be developed further, it behooves a company to look to greener pastures on the other side of the fence. Technology is forever growing new grass there, and to be satisfied with the picked-over meadow on this side would be construed as unfair treatment of deserving stockholders.

Taxes frequently constitute a sound reason for a merger. When a combination is carried to fruition for this reason, and this reason alone, we frequently get some strange ones. The tax structure is such that if a company has been a dismal failure, over an extended period, it has a valuable asset it can offer in the merger market. Its loss can be used to advantage by a big company that is paying the full penalty for its success. The latter welcomes the chance to take in the washing of the less successful business concern, irrespective of the types of goods manufactured or the services rendered.

Diversification has its appeals for other reasons, and they are varied. A downward trend line of sales may persuade a company's banker to become as steely-eyed as the unpopular money lender depicted in popular jokes and sayings. Likewise it is disturbing to personnel, key executives especially. Growth, even if it means diversification far afield, tends to hold executives of high calibre, and to attract others.

Need for Broadening a Market

The need for broadening a market, of securing a more adequate flow of raw materials, of utilizing an accumulation of excess funds, and the human desire to get bigger, are other reasons we have this craze to get into the other fellow's line of business; to take in his washing.

Specialization has given way to integration. Acquisition follows acquisition in rapid fire order. We get a merger or an important acquisition of the assets or stock of one company by another, on the average of nearly a hundred a month.

It is the most noticeable trend in a new world of business. A few thousand years ago there was a young man of 23 years who wept because there were no new worlds to conquer. His name was Alexander the Great. Our modern man of business would say that Alex had the defeatist attitude. To today's industrialist there is always another company to be brought into the family; always another world to conquer; always some laundry that he can wash better than can the man who has been doing it.

We ordinary folk, like newspaper columnists and railroad presidents, look with awe and respect upon the versatility displayed by such industrial giants as you gentlemen. Your indomitable spirit, your determination to grow, wins our admiration. It is without limit. I was about to say it leaves me speechless; but that's dangerous. You might call my bluff and insist I take myself seriously. Never let that happen.

There was a time, several decades ago, when railroads tried a little diversification. It took the form of owning coal mines, but it seems there was some trouble about that and they had to let them go. The economy wasn't as enlightened in those days. Railroads now are going more and more into trucking, and operating bus lines, but, insists the ICC, any route that wins the Commission's approval for such extensions must be merely a supplemental service. It must supplement the regular service provided by the railroad. I assume you trucking gentlemen, being broad-minded, are not disturbed by this bit of diversification. In other words, it's all right for them to take in this bit of washing if they happen to be coming down this street anyway.

Railroads are cooperating with the trucking companies and steamship lines also through their piggyback and their roll-on, roll-off operations. The Pennsylvania Railroad's calendar shows its aero train, which has a lot of flat cars loaded with trucks.

Industrial Urge to Diversity

The urge to diversity is far more pronounced in the industrial field. A number of well-known companies have got so far away from their original purpose that they are gigantic holding companies, supervising the operations of units so far removed from each other that one wonders at the talent and the skill that must of necessity be the proud possession of each directing genius.

Within the space of a few years we have seen one successful corporation emerge to a position where it is a major factor in such widely diversified fields as the manufacture of agricultural chemicals, copper and copperbase alloys, sporting guns and ammunition, roller skates, power-actuated tools, insecticides and fungicides, cigaret paper, furniture and tooth paste.

Some Remarkable Combinations

Another has acquired the new look by combining its dredge, dock and marine salvage operations with acquisitions that put it in paint, battleship construction, kitchenware, trailer, power shovel and voting machine businesses. Still another, within the last few years, has enlarged its former coal and coke business to include firearms, a shovel manufacturer, oil wells, machine tools, aircraft parts, electronic and communication equipment, uranium and ocean-going steamships.

Another boasts of 20 acquisitions since the war. It was, and still is, a specialty machinery manufacturer for the tobacco industry. Years ago it added baking equipment and apparel stitching machinery. Recently this tobacco machinery company has moved into bowling alley equipment, atomic reactors, oil well machinery, juvenile wheel goods, electrical motors and accessory apparatus for guided missiles. I must add that it is most successful, especially with its automatic pin spotter.

What's In a Name?

Corporate names mean little. It has become a common practice for corporations to change their names, because their business has wandered far afield from what it was originally. Directors have realized that it is a misnomer to have words such as coal, steel, textile, pump, chemical or toy in corporate names if operations have become diversified to a point where these old lines have dwindled to relative unimportance. More general titles are adopted, some so general that one has to rush to the reference books to refresh one's memory on just what they are doing.

Wall Street analysts tell me that occasionally they get a complaint from an industry executive because, in analyzing a particular industry, they omit a particular company on the ground that it is in many widely varied fields of endeavor. The reply of the analyst to such a complaint invariably is: "What business are you in?"

Coal and Underwear; Shoes and Candy

Let's see what would happen if, in analyzing an industry, a researcher included all companies in the respective field under examination. If he turned his attention to the underwear industry, he would have to include Philadelphia & Reading Corp., formerly Philadelphia & Reading Coal & Iron. If his subject were the candy business, he would have to include Selby Shoe Co., makers of ladies' and children's footwear.

Any analysis of the cement industry would have to include the largest producer in the United States— the United States Steel Corporation. The toy industry could not be covered without reference to Standard Commercial Tobacco Co.

If you are thinking of manufacturers of top coats and overcoats, you would think, among others, of the Fort Pitt Brewing Co., which was not doing too well brewing beer so purchased two Philadelphia concerns in the coat business. General Railway Signal has a substantial interest in a television corporation in Buffalo. General Tire & Rubber owns all the stock of the Yankee Network, a radio chain that broadcasts throughout New England. It also owns General Teleradio, Inc. which bought the stock of RKO Radio Pictures, Inc. It formerly owned 90% of this radio concern and last year bought the remaining 10% at a department store, R. H. Macy & Company.

There are many more. Speaking of taking in the other fellow's washing, there is a national service known as the Linen Supply Service. It has 10,000 members and does a $350,000,000 annual business. It launders, rents and supplies laundry for homes, offices and factories. The linen supply service has nothing to do with linen. It deals in cotton.

The firm of Boni, Watkins, Jason & Co., which specializes in mergers, and in advising businessmen whether they should make a product, or buy out the present maker, observed recently in a book on the subject, that American industry may be on the brink of a new do-it-yourself movement. Much evidence can be drawn from recent business history which suggests that the outcome of such a movement will be far more serious to the economy than figurative swollen thumbs, blisters and aching backs, it observed. There are pitfalls along the path.

Other Strange Bedfellows

Without in any sense criticizing diversification, but merely to note a few of the kinds of bedfellows brought together by the pursuit of diversification, let's cite a few more familiar cases. The Glen Alden Corporation, formerly Glen Alden Coal Co., this year acquired the Ward La France Truck Corp., makers of fire fighting apparatus and rescue cars. Glen Alden is also in the air conditioning business. American-Marietta Co. originally was a paint and varnish company. It still is, and in additions owns or controls companies making concrete pipes, metal products, adhesives, resins, chemicals, machinery and bridge sections.

Among the many beneficial diversification programs has been that of U. S. Industries, formerly the Pressed Steel Car Corp., which got tired of pressing cars so now makes dairy cans, cooking ware, oil pumping equipment, lathes, welded steel pipe, electric conduit fittings, and operates the largest armored vehicle depot of its type in the United States.

Textron, Inc., is a familiar name in the textile business. It has been on a diversification rampage the last few years. It has divisions which extrude aluminum homebuilding specialty products, manufacture metal fasteners, parts for jet engines and other aircraft and automotive concerns, make and sell Douglas fir plywod, airborn radar antenna, chain saws and generators and blowers. It is also in the factoring business and has bought an ocean-going liner for the Hawaiian trade.

Most mergers are not combinations of companies in the same line of business. They are usually upstream integrations, which bring the producer of goods nearer to his raw material supply, or else they are hodgepodge mergers, wherein a corporation attempts to employ its funds to more advantage by investing in another line of business.

One effect of wide diversification is that our system must continue to produce executives who can keep ten balls in the air at one and the same time. It poses a problem for the business economists, and one that will demand extra thinking in the next few years. Among the questions that will have to be answered is, how farflung can a corporation become and still be at its best in the tough competitive fight?

Perhaps we will have no worries. There may come a time when we will pick our executives electronically. General Electric announced a few days ago it has developed a new personnel system. By means of high-speed data processing equipment, to supplement human judgment in determining which engineers and scientists should be considered for vacancies, it estimates it can examine the qualifications of 10,000 technical people, in its 153 plants, in a matter of minutes.

Such things may save the day, and it will be of no concern that a steel company runs a dance studio or an oil company operates motion picture theatres. Names will mean nothing because no one would ever think of buying coal from a coal company or milk from a dairy.

Consumer Confusion Unconfined

Picture a young couple and their children coming up from the South, to move into their new home in Westchester County. The wife didn't want to travel by air with the children so the husband had to get a rebate on the tickets he had bought from the Seaboard Air Line. They tried to express some of their belongings north by American Express Co., only to find out that this concern is an international bank with a travel agency.

The piece of property in Westchester was bought from one of the largest and most active real estate investors in this area, the New York Central Railroad. The excavation for their home was dug by a marine salvage concern, Merritt-Chapman & Scott. Cement for the foundation came from the largest of cement producers, the United States Steel Corp. Crushed stone was obtained from Chadbourn, Gotham, Inc., hosiery and lingerie manufacturers, who recently acquired the assets of the Riverton Lime & Stone Co.

Lumber came from the International Paper Co., new furniture from that well known chemical and fire arm manufacturer, Olin Mathieson, and the Bendix home-washer from that leading radio and television company, Philco. General Motors Corp. equipped the kitchen. As the property was near the water, they bought a canoe from the Grumman Aircraft Corp. Paint for the house came from Socony Mobil.

When they moved in the husband wore a new coat he had obtained from the Fort Pitt Brewing Co. His wife wore lingerie from the Philadelphia & Reading Coal & Iron Co., now the Philadelphia & Reading Co. She also had a diamond manufactured by General Electric and a ruby from Union Carbide.

For the kids there was some of that very fine Selby Shoe candy, and toys from the Standard Commercial Tobacco Co. The husband lit a cigar, rolled by a manufacturing concern which has, as a big stockholder, the Bush Terminal Co., operators of warehouses, piers and industrial buildings.

They all had a drink of orange juice, fresh from Florida, where it is manufactured by the Detroit Hardware Co., which recently changed its name to Transcontinental Industries.

I should have mentioned that the husband was a petroleum engineer, employed by City Products to work on some of its new oil acquisitions. He had nothing to do with its chief business, which is the manufacture of ice, ice cream and dairy products, the brewing of beer, processing of poultry and operation of cold storage plants. A few years ago

*A talk by Mr. Stabler before the annual luncheon of the National Industrial Traffic League, New York City, Nov. 15, 1956.

he had tried his hand at making X-ray equipment, for California Eastern Aviation, Inc.

He admired his wife's new dress and she told him it was made of rayon, a product of Industrial Rayon, in which M. A. Hanna Co., hard coal and iron ore concern, has purchased 341,000 shares of stock.

When later she complained of a headache, he gave her headache pills made by a company controlled by the Ogden Corporation, a leading name in plumbing, heating and electronics.

It is a story of strange bedfellows, brought together in the search for diversification. It is an endless story. I could continue except that I believe there is still a bit of wisdom in that saying, the cobbler should stick to his last. You have stuck with me to the last, and should I continue further you might say, "Stabler, don't try to diversify. As a speaker, we recommend you go back to your office and write your column."

Moody's Inv. Service Elects Officers

The board of directors of Moody's Investors Service, at their annual meeting, elected Louis H. Holschuh Chairman and Donald B. McCruden President of the financial advisory service. Allan W. Wallace, Vice-President, was also named Treasurer, and Daniel F. Shea, Vice-President and Secretary, was also appointed publisher.

Formerly President, Mr. Holschuh succeeds the retiring John Moody, founder of the 56-year old organization, who will maintain a continuing interest in the business.

Mr. Holschuh began his business career with Moody's as an office boy in April, 1901, and several years later was elected Secretary; then Treasurer and Vice-President, and President in 1944 when Mr. Moody became Chairman.

Mr. McCruden previously held the posts of Vice-President and Treasurer since 1944. He joined Moody's in January, 1922 and was appointed Controller, a year later; then Vice-President and Secretary, and subsequently Vice-President-Treasurer.

Moody's Investors Service, with its headquarters in New York City, maintains service offices in Chicago and Los Angeles, and branch offices in Atlanta, Ga.; Boston, Mass.; Cincinnati and Cleveland, Ohio; Dallas, Texas; Detroit, Mich.; Milwaukee, Wis.; Minneapolis, Minn.; Pittsburgh and Philadelphia, Pa.; San Francisco, Cal.; Seattle, Wash.; St. Louis, Mo., and Washington, D. C.

Frank Moore, Sr.

Frank Moore, Sr., passed away Nov. 25 at the age of 68. Prior to his retirement in 1949 he was with C. H. Pforzheimer & Co.

Mid Continent Secs. Adds

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Leo R. Klein is now connected with Mid Continent Securities Corporation, 3520 Hampton Avenue.

Three With Mutual Fund

(Special to The Financial Chronicle)

SAN JOSE, Calif. — Michael L. Bramns, Norman Christenholz and Raymond T. Shane have become connected with Mutual Fund Associates Inc., 1871 "The Alameda."

With Westheimer Co.

(Special to The Financial Chronicle)

CINCINNATI, Ohio—Mrs. Beatrice L. Bauer has joined the staff of Westheimer & Company, 322-326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Middle East and Economic Prospects

By ROGER W. BABSON

Both the Middle East situation and 1957 economic forecast for U. S. A. are analyzed by Mr. Babson who depicts: next Republican Congressional election issue as 10 cents a gallon more for oil versus sending American boys to Europe; 1957 may be "a leveling-off year"; and Middle East struggle may last 2 or 3 years with probably inflationary consequences.

Israel will withdraw from the Middle East situation. She has been warned that if there is a real war, she will probably be wiped out. If there is real trouble, it will be between Egypt, supported by Russia, and England, supported by France. France has probably lost the Arab countries. So it would be Egypt, supplied by munitions and airplanes and so-called "volunteers" from Russia, against England, backed by France.

Roger W. Babson

How President Eisenhower Feels

Mr. Eisenhower knows the situation probably better than anyone else; he has spent a year in North Africa with the Arabs. We must count on a possible two- or three-year struggle — which probably means inflation. The United States will supply arms at least to England and possibly to Egypt. We would do that because we want to be on friendly terms with the Egyptians and Arabs.

Mr. Eisenhower is very much disappointed in both England and France. Not only did they not ask his advice, but they went ahead very contrary to his wishes. Mr. Eisenhower has also been disappointed in the way the Western Powers have failed in connection with NATO. He would not object to having these Western Powers—including England — get a good scare. Mr. Eisenhower was elected on the platform of Peace, Prosperity, and Progress. He will now either refuse to take any action or else will dump the problem in the lap of the United Nations. He certainly wishes to avoid another Korea.

Price of Gasoline Will Rise

The oil interests have notified Washington that, on the basis solely of supply and demand, fuel oil and, indirectly, gasoline will move up one-half cent a month until oil is again coming from the Middle East. The Mid-East has pipe lines and the most important one has already been blown up. England and France have already gone on a rationed basis for oil.

I think that the present uncertainty will drag on until the next Congressional elections. If it does, Mr. Eisenhower may think he can win Congress by just going to the people and telling them it is a choice between paying 10c a gallon more for oil or sending their boys to Europe, and that he will leave it to Congress. Therefore, he and his advisers feel the Republicans have a chance of getting control of both Houses in the next Congressional elections. With Mr. Eisenhower favoring free enterprise, he would very much hesitate to interfere with the natural flow of oil in either the East or West, but would leave the price to supply and demand.

Internationalize the Dardanelles

The Middle East oil fields are the plum of the world until we get organized on nuclear energy. A month ago the land there was the most valuable land in the world. Russia claims that she is not interested in the oil—that the only thing she will insist upon is the following: If the Suez is internationalized, the Panama Canal and the Dardanelles must also be internationalized. Russia insists that the Dardanelles and Panama be put on the same basis as Suez.

Egypt pretends to represent the Arab world, but what is happening in Hungary should make the Arabs fear Russia and no longer trust her. The United States, therefore, stands a better chance of winning the Arab world. Mr. Eisenhower was over there for a year and he knows North Africa far better than does Eden or Mollet.

Expert's Conclusions

Under the above conditions, I now see no chance of a real slump next year (1957); but 1957 may be a leveling-off year. A big break may not occur, especially in view of all the pension funds and unemployment legislation, minimum wage laws, and the Employment Act of 1946. I still have faith in the Law of Action and Reaction; but when I developed the Babsonchart, we had been on a Gold Standard for many years. We had a natural ceiling and a natural floor. Hence, it was fairly easy then to make correct forecasts based on the Babsonchart areas.

Now we are on a Political Standard and not on a Gold Standard. An elastic band can be stretched, but sometime it will break. Hence, I have not lost faith in the Law of Action and Reaction. Those Babsonchart areas can be manipulated by political action for perhaps four or five years before we go below the X-Y line but ultimately we will have to pay the price.

Joins Wachob-Bender

(Special to The Financial Chronicle)

OMAHA, Neb. — Loris B. Long has joined the staff of Wachob-Bender Corporation, 3624 Farnam Street.

Harriman Ripley Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Henry Ott-Hansen is now with Harriman Ripley & Co., Incorporated, Union Commerce Building.

To Admit to Firm

Pyne, Kendall & Hollister, 52 Wall Street, New York City, members of the New York Stock Exchange, on December 1 will admit Gladys W. Bianchi to limited partnership.

Loewi Branch

CHIPPEWA FALLS, Wis. — Loewi & Co. Incorporated has opened a branch in the Norther Hotel under the direction of Willard F. Murphy.

Joins Mutual Fund Assoc.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Richard T. Gardiner has joined the staff of Mutual Fund Associates Incorporated, 506 Montgomery St.

Three With Reynolds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Robert D. Harris, Lee C. Megan and Douglas H. Pendleton are with Reynolds & Co., 425 Montgomery Street.

In Memoriam

WILLIAM FRANKLIN ROWLAND

1884-1956

The passing of William Franklin Rowland in Midwood Hospital, Brooklyn, N. Y., on Saturday, Nov. 24, is an event of deep regret to the management of the **"Chronicle"** and to his many friends in and out of the **"Chronicle."** He had been in ill health for a number of months and, at the time of his death, was in semi-retirement.

Mr. Rowland, who died in his 73rd year, had some 40 years service on this paper, during four years of which, from 1947 to 1951, he was Foreman and head of the **Chronicle's** Composing Room and Press Room.

During his lifetime, Mr. Rowland also was an active participant in Typographical Union No. 6 affairs and was widely respected for his moderation and conscientious efforts in meeting the exacting requirements of the **Chronicle's** mechanical departments — a position calling for highly technical skill and direction.

Mr. Rowland's son, William, now with the Wall Street firm of Eastman Dillon, Union Securities & Co., served as General Patton's Staff Sergeant all through the African Campaign and up to the march on Berlin in World War II.

Mr. Rowland is survived by his widow, Alice, his son William, and daughters Alice and Ruth.

THE MARKET . . . AND YOU

By WALLACE STREETE

Price irregularity continued to saddle the stock market this week and the fact that Treasury bonds retreated to historic lows, including a one-day break of sizable proportions, was hardly conducive to better stock action.

* * *

Evidences were many of much tax-loss selling that served to blunt meager attempts at a rally. Shipbuilding shares, enjoying a rather good whirl on expectations of new orders to offset the bottled-up Suez Canal, also bumped into rather vigorous profit-taking that made them retreat rather rapidly at times.

* * *

To the followers of market "theories" the averages were at a crossroads where any further decline would generate much more bearishness. The 463-68 area, where support had been found several times this year, was under attack with the consensus of opinion not too confident that it would hold this time. Even the more dour market spectators, however, looked for a good floor somewhere in the 420-40 area.

* * *

With the tax-loss selling being cleaned up rapidly, the possibility of a year-end rally was far from being abandoned. The only question was the extent of the traditional end-of-the-year fillip. Surprisingly, even in the plethora of glum feelings over the market's immediate future, there were plenty who were looking for a rebound of real size.

Year-End Dividend Flood

A rather handsome flood of year-end dividends was greeted calmly, most of the good news showing signs of having been well anticipated. There were even some divergent notes. Baltimore & Ohio was given to some backsliding on its annual dividend, some of the estimates made in advance having been too generous. Celanese, which has been one of the longer depressed items around, selling at its poorest price since its 1946 split, was able to perk up when the payment was hiked.

* * *

Lukens Steel which, in soaring around $130 above its year's low of $42 had discounted much good news, was rather restrained when the year-end declaration brought payments this year to $6 against last year's $2 payout.

Caution Predominant

The many cross currents in the market from tight money plus the expectation of a future hike in the discount rate again as well as the unsettled Middle East situation kept opinion cautious. Some of the technicians admitted that there was no present validity in studies of the various stock market averages. Certain groups were staging their own bull market while at the same time others were putting on a pretty good show of a private bear market.

* * *

Steels, aircrafts, coal issues, shipbuilding and sugar stocks were the bull market items. Chemicals, aluminums, international oils and paper stocks were the bear market ones. Nor were there any signs yet that either trend had been halted.

* * *

Rails refused, as they have for sometime, to join either the bullish or the bear schools and while their action was relatively better than that of the industrials, there was no real play in them which is anything but a new story.

Values in the Rails

Some of the better values, consequently, are to be found in this neglected group. Illinois Central for one offers a yield of 6.8% which is one of the more handsome around for a top name issue. The line is one of the carriers still working toward complete dieselization and the economies it will bring, so there is room for maintaining earnings well even if there is a trim in gross revenues.

* * *

In the case of Illinois Central, earnings this year are expected to match those of last year. Yet the stock has been lolling below the $60 line against the better than $72 tag on it in a rosier period this year and the $68 peak of last year when a lower dividend rate was in effect.

* * *

Nickel Plate also has a bit of ground to travel to complete its dieselization. This is a road little concerned with passenger traffic and its depressing effect on earnings. Lately it has been offering a 7% yield. The stock has been far more romantic than most rail shares what with a 5-for-1 split in 1951, and a 2-for-1 split early this year, plus a stock dividend in the interim.

Higher Yields Available

Among the higher yields available is around 8% in American Export Lines. There are some other of the traditional statistical yardsticks that back up this high yield. The stock lately has been priced at around four times this year's earnings. And book value, including the drastically marked down ships, is more than double the market price. The bargain aspects of this issue are also due to widespread disinterest; shipping companies have had little investment favor ever since the end of World War II. U. S. Lines, similarly, is considered an undervalued issue by most yardsticks with a potential of being able to double in price on statistical considerations if the group ever returns to popularity.

Exploiting Tax Sales

With all of the tax selling currently keeping the list restrained, one of the pastimes neglected in recent years when prices were advancing steadily was revived. This is the one of seeking out the issues hardest hit in the tax selling as likely candidates for a rebound when the pressure dries up.

American Optical, for instance, has been selling at a "support" level some $20 below its high of $53. Columbian Carbon is a dozen points below its peak, General Tire some 16 points, Kern County Land 15 points and Masonite a dozen and a half points. Southern Pacific, Western Pacific and Monsanto Chemical have been available in recent sessions at around $20 under the peak prices.

Blue Chips Arrive at Respectable Yields

Some of the premier "growth" stocks have also declined sharply to where their yields are starting to become more respectable although the question is moot whether or not they have reacted fully. Aluminum Co. which had spurted to where its yield was a fraction of 1% was approaching a 1½% yield lately on a loss of some 40 points from the peak. Du Pont, which showed a return of well below 3% at its peak price, reacted some 70 points from the peak and was in a better than 3½% yield bracket. International Paper, after a reaction of better than 40 points, was also in the 3% class again.

Among the paper stocks that stood out in a group generally under pressure was Marathon Corp. by virtue of some investment trust purchasing. Not as familiar to traders as the older names in the group, Marathon has not had the same mass following and its yield currently has been around 4.7% on a well-covered dividend and with a steady increase in earnings not only recorded but projected on into next year.

[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.]

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The First National City Bank of New York on Nov. 28 announced the appointment of two Assistant Vice-President and five Assistant Cashiers. The new Assistant Vice-Presidents are Eugene J. Callan, Park Avenue Office; Matthew Gault, Domestic Division. The Assistant Cashiers are Harry B. R. Brown and Frederick B. Edwards III, of the Domestic Division; J. Garrard Holt, Lexington-42nd Street Office; Carleton L. Riley, 46th Street Office, and John Reynolds Toomey of Domestic Branch Administration.

* * *

Howard C. Sheperd, Chairman of the Board of **First National City Bank of New York,** in an informal interim report mailed on Nov. 27, gave shareholders further information about the plan of the **First National City Bank** and the **County Trust Company of White Plains, N. Y.** to form a holding company to be called **First New York Corporation,** reference to which was made in our Nov. 15 issue, page 2080 and Nov. 22, page 2200. Under the proposed plan, First New York Corporation would have three subsidiaries chartered under the National Bank Act. **The First National City Bank of New York, City Bank Farmers Trust Company,** its trust affiliate, and **County Trust Company** would each consolidate with one of the three subsidiaries, each in effect retaining its present identity. The First National City Bank of New York would retain its name while the names of the other two institutions would be modified to reflect their operation under national charters. In the final structure, the holding company would own three operating banks. The letter stated:

"The mergers would require the approval of the owners of two-thirds of the shares of each institution. Upon such approval, all shareholders of the presently existing institutions would receive in exchange for their present shares the stock of First New York Corporation in accordance with the agreed terms. Those shareholders who may not wish to accept the exchange would be entitled to an appraisal of their shares and a payment in cash therefor, as provided in the National Bank Act. While our plan provides for change to National Charters in the case of the two institutions now operating under State Charters, this change is not essential to holding company formation or functioning. Holding companies may include State Banks, National Banks, or both."

Formation of a holding company at a time when revision of the State Banking Code is under consideration is not inappropriate, the letter said. It added:

"On the contrary, the plan offers advantages and future prospects which would not be achieved merely through modification of the state law on branch banking. Whatever direction revision of the law may take, the merits of the holding company organization will still exist."

Further, the letter points out, the holding company proposed by the Bank and The County Trust Company does not "sidestep" or contravene the New York State law confining branch banking to a single district. Rather, it says, it represents a different concept and approach to banking procedure which is neither new nor untried and that there are several bank holding companies in New York State, operating successfully with benefit to the communities concerned. In fully explaining the bank's position to shareholders, Mr. Sheperd's letter outlined several specific advantages to shareholders of both First National City and County Trust that would result from the proposed merger as well as the expected dividend policy at the time the plan becomes effective:

"Under the plan 2¼ shares of First New York Corporation would be exchanged for one share of First National City Bank (which includes beneficial interest in the shares of City Bank Farmers Trust Company). One share of First New York Corporation stock would be exchanged for one share of County Trust Company. In the opinion of counsel, the exchange of shares would be tax-free under Federal laws."

Regarding dividends, the letter said:

"It is expected, subject to conditions then existing, that dividends will be initiated on the shares of First New York Corporation at a rate which will make the dividend on 2¼ shares of the Corporation equivalent to that being paid on each share of First National City Bank."

* * *

Ralph S. Stillman, President of the **Grace National Bank of New York** announced on Nov. 26 that the board of directors of the bank has approved an increase in the bank's capital and surplus to $10 million through transfer of $1 million from undivided profits. The transfer enables the bank to make loans of up to $1 million to any one customer whereas previously it was limited to a maximum of $900,000. The Grace National Bank in October, it is stated, reported a 26% increase in earnings for the first nine months of this year over the comparative period of 1955. As of Nov. 19, the bank had $4 million in capital, $6 million in surplus and $1,275,843 in undivided profits.

"This is an important milestone in the 41-year history of the Grace National Bank," Mr. Stillman said, "since the bank will now be able to participate in major lending operations." He added that "a substantial part of the bank's increases in capital and surplus were made through transfers of earnings." The Grace Bank, which conducts a general banking business, developed from customer balances held by W. R. Grace & Co. as a service to its trading customers in Grace's South American trading business. When these balances grew to large proportions, W. R. Grace & Co. decided in 1915 to formally organize the bank under a New York Charter. At that time it had capital of $100,000 and surplus of $25,000 realized from the sale of 1,000 shares of stock at $125 per share. On June 19, 1924 the bank was reorganized as a National Bank with capital of $1 million, surplus of $1.5 million and undivided profits of $160,480.

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Nathaniel E. Paine, Jr., has been appointed Assistant Cashier of the **Grace National Bank of New York.** Mr. Paine first joined the bank in 1943 and has been Manager of the domestic section of the credit department.

* * *

Shareholders of **Sterling National Bank & Trust Company of New York** have approved by a unanimous vote of 93.7% of the

Continued on page 31

The Current Credit Picture

By HENRY H. HEIMANN*
Executive Vice-President, National Association of Credit Men

Nationally known credit expert surmises that when the Government properly handles its credit better than private business, then the proposal for government credit regulation might be listened to with more respect. Mr. Heimann criticizes those who criticize high credit dollar totals without looking further into its soundness; does not deny high totals serve as a warning; wants the same measure of publicity given to government debt; and is concerned that the spreading of consumer credit misinformation might cause consumers to concentrate on debt repayment and to curtail buying.

There is much discussion these days about the high dollar totals of outstanding credit. Such discussion has been particularly widespread about consumer credit. It might be more useful if the same measure of publicity were given to the credit of the government. The government debt is something that should concern everyone. Whether or not private debt is out of line depends upon many conditions and facts. Unfortunately, too frequently these conditions and facts are brushed aside and a generalization is made that, because the dollar totals are high, we are in a dangerous credit position.

Henry H. Heimann

High credit totals should do little more than give us warning that we must continue to exercise care and judgment in the acceptance of credit. High dollar totals of credit in themselves, unless they are at an astronomical figure, do not necessarily mean that credit conditions have gotten entirely out of hand.

If credit has been accepted on a sound basis, using the usual yardstick of evaluation for credit, there need not be too much concern about high credit totals. With the dollar presently having the purchasing power of half its value of a decade ago, and with a growing population, a growing economy and a tremendously expanded business, it would be logical that your debt, like every other factor in your economy, would establish new peaks.

Attacks Unsound Credit, Not Credit

More alarming than the high debt total of consumer credit are the methods by which these totals are attained. If sound credit principles are not applied and credit practices become loose and credit terms unrealistic, then there should be every concern, by those who indulge in these unbusinesslike practices, over the measure of credit they have extended.

Very few competent credit executives are worried about the high dollar total of commercial or consumer credit. What does concern them, however, is the consequence of misinformation about these high credit totals. If they are publicized day by day with words of warning issued from time to time, they can easily develop such a state of mind in the consumer that he may reach a decision to concentrate on payment of debts and curtail buying. Should he restrict his buying and concentrate wholly on the payment of debts, we would soon have a readjustment on our hands. That readjustment could be serious if he continued his buying lag for any length of time.

It is well to remember that the record of consumer credit by and large is good. The losses, even in the worst periods of depression, have been held within reason on the average. Here and there companies which were not competent in credit management absorbed heavy losses in bad debts, but on the whole consumer credit has built up a record that is a tribute both to credit management and to the paying record of the consumer.

It is also comforting to know that the high over-all private and commercial credit totals today do not involve as much speculation as they did, for instance, in 1929. Our security credit situation today is much sounder, in the sense that only a small part of credit is being used for the purchase of securities. Housing credit though exceedingly high has within it an amortization plan or program. Housing and mortgage credit, however, is now at a level that calls for closer scrutiny, but here again, as time goes on, the credit situation automatically improves itself by reason of the monthly payment plans under which it is contracted.

Interest Rates Are Reasonable

There is also much confusion and misunderstanding about the cost of the hire of money. The present rates of interest are reasonable when compared to the rate that was in effect when the natural law of supply and demand was in being. Historically, we are not paying a high rate of interest. It is only when we make a comparison with the days of unfortunate synthetically low rate of interest that we assume present rates are high. With the inflationary tax load we have, it is also well to remember that in the corporate structure any interest rate is immediately halved so far as the net cost to the company is concerned, because the government comes in and takes half of your earnings, and the interest charged is a cost of doing business that is deductible.

When you have a tremendous focusing of attention on your debt structure, and it is not properly analyzed, wrong and harmful impressions can be created. Immediately some groups demand that the government step in and regulate the conditions of credit. Ever since we abandoned the gold standard, we have had to work with managed money policies, and these have varied so much from time to time that frequently they are confusing. Nor can one with certainty surmise what may be in the minds of the people who are charged with our monetary responsibilities.

As far as government regulation of credit is concerned, the same rule ought to be made to apply to government in its credit regulation desires as is applied to a normal business or to an individual. A credit man would scarcely ask a financial officer of an over-extended company that was in financial difficulties for advice as to how to handle credit. The Federal Government has not handled its credit in a way that would give other people confidence in its attempt to regulate credit. When and if it could regulate its own credit and control its own debt and stop its own deficit operations, it might be listened to with more respect.

Private business has managed its debt much better than the government, and it will continue to do so. The fact that a few inexperienced or incompetent business managements in the field of credit do not properly handle credit situations is no reason why the whole credit program of a company or an individual should be condemned, and above all there is no reason why a government which by its own performance has not been able to regulate its credit, could be expected to do a better job than private business in credit practices.

*An address by Mr. Heimann before the 12th Annual Commercial Finance Industry Convention, New York City.

Investors Research Sees Market in Very Over-Sold Condition

Market studies during the past five weeks indicate the 470-480 level in the Dow Industrial Averages established a firm low by entering a zone of strong investment demand.

Investors Research Co. further states the time-proven test of a strong market is its ability to absorb adverse news. During the past five weeks, the market has been alternately hit by poor third-quarter earnings, doubt of the election outcome, Eastern European revolts and now the threat of Russian action in the Middle East. In spite of these developments, prices have remained far above their early October lows and investment support has been active.

Industry Groups currently outperforming the average of the market are coal, machinery, steel, aircraft, office equipment and natural gas and oil. Technically, the market is very over-sold and due for a strong rise from current levels.

J. M. Griffin Opens

JACKSON, Miss. — James M. Griffin is conducting a securities business from offices at 1315 West Capitol.

Form Grill-Harkness

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif. — Grill-Harkness & Co., has been formed with offices at 110 Pine Street to engage in a securities business. Officers are Bruce A. Johnston, president; K. R. Johnston, vice president; and Bernard J. Moore, secretary-treasurer. Mr. Johnston and Mr. Moore were formerly with McCormick & Co.

E. A. Hay Opens

ZANESVILLE, Ohio — Edward A. Hay is conducting a securities business from offices at 716 Adair Avenue. He was formerly with Merrill Lynch, Pierce, Fenner & Beane.

Forms Modinos Co.

WILMINGTON, N. C. — Nicholas Modinos has formed Nicholas Modinos & Co., Inc., to continue his investment business. Officers of the new corporation, located at 422 South Third Street, are Mr. Modinos, president and treasurer; John M. Pulaski, vice president and assistant secretary; and L. B. Modinos, secretary.

Joins Cruttenden Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William S. Finerman has joined the staff of Cruttenden, Podesta & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Finerman was formerly in the investment business in California.

Providing Qualified Executives To Overcome Growing Shortage

By LAWRENCE L. ELLIS*
Partner, Booz, Allen & Hamilton, Chicago

Twenty-five percent more executives needed by 1965, yet five percent more will be available under present development programs, and alarming increase in average executive's age, are some of the observations made by Booz, Allen & Hamilton partner, in presenting a program to improve managerial pool growth rate.

Development of executive talent is an important segment of the management of any business, large or small. It is particularly important today because management development has not kept pace with technological development, and the shortage of management talent is already acute.

Lawrence L. Ellis

Since World War II, executive requirements have increased at a rate 46% greater than before the war. At the same time, companies have been losing executives at a rate one-third greater than during the prewar period. This increasing turnover among the executive family of the country is one indication of executive shortage. It also is indicative of the increasing competition for executive talent which makes it difficult and costly for any company to go into the open market to obtain needed managerial ability.

Two other factors are contributing to the shortage of qualified executives. First, World War II and subsequently the wasteful draft policy have substantially delayed the development of large numbers of young men with executive potential. Partially as a result of these situations, the average age of executives has increased to an alarming point. Of executives in the 400 largest companies, 11.5% are now over normal retirement age of 65. An additional 64.5% are over age 50. This means that during the next 15 years, 75% of the executives in these companies will need to be replaced. This alone represents a management development task of considerable magnitude. But the task is much greater than replacement. If the rate of growth of our gross national product can be used as an indication of increasing executive needs, a projection of the rate of this growth indicates an increase of about 25%.

Draws Three Conclusions

We have made no attempt to measure increasing demands for executive ability arising from greater complexity of business as it grows in size, Mr. Ellis pointed out. Even without considering this factor, we can draw the following conclusions:

(1) The scarcest commodity in this prosperous country of ours today is executive ability.

(2) The need for executive ability during the next 10 to 15 years will be far greater than the supply and will increase the existing shortage unless well planned programs for development of executive ability are undertaken on a large scale throughout industry.

(3) On a more positive note, at no time in our economic history has opportunity for young men to advance quickly in industry been so great.

The purpose of executive development is to improve executive performance at all levels. By assuring maximum growth of individual capacities, it provides for better performance in present positions as well as developing promotional potential.

There are four elements in any productive program for development of "executive quotient." These are: (1) a sound organizational structure; (2) effective appraisal methods; (3) selection of applicable development techniques; and (4) a comprehensive and competitive compensation program.

The plan of organization can stimulate or retard development of individuals. At the executive level, no other factor of working conditions is so important to executive development as a sound organization structure within which executives have the opportunity of practicing what they learn, of learning by doing. The plan of organization must be clear as to functions, responsibilities, and working relationships. It must provide recognized and attainable lines of progression which stimulate competition and provide individual incentive. It must provide for adequate delegation of responsibility and include opportunity for broadening specialists to meet general management requirements. Above all, it must provide for each executive position a reasonable span of authority and the requisite supplementary organization which will enable each executive to spend sufficient time with each of his subordinates to foster their development.

Selection and Appraisal

An effective appraisal program includes four elements: (1) determination of executive qualities to be appraised; (2) establishment of standards of executives performance; (3) utilization of proven appraisal techniques; and (4) a well defined plan for counselling on appraisal results and development progress. The eight universal characteristics which identify the promotable executive are position performance, drive, problem-solving ability, leadership, administration, initiative, motivation, and creativeness.

Selection of applicable development techniques should be made on an individual basis. It may well be that certain weaknesses will be prevalent throughout the executive group. If so, these can be met by group education. Group programs, however, should not be relied upon entirely.

Compensation is obviously an important element. It provides an incentive to participate and interest while being trained.

Executive development is important, stimulating, and gratifying. We shall be judged most of all by the men we build, men who in the future will have the destinies of our business in their hands.

*From a talk by Mr. Ellis before the 25th Mid-Continent Trust Conference, American Bankers Association, Chicago, Nov. 16, 1956.

Joins White & Co.

(Special to THE FINANCIAL CHRONICLE)

BLOOMINGTON, Ill. — Louis S. Kuhn has become associated with White & Company, 216 West Washington Street. Mr. Kuhn was formerly with Barrett Herrick & Co., Inc.

Appraising the Business Outlook For the Long and Short Run

By EDMUND A. MENNIS*
Senior Security Analyst, The Wellington Fund

By following the relatively small but very volatile areas, and the long-term forces, Analyst Mennis submits as his "best guess" that the remainder of 1956 and first part of 1957 economic growth rate will not be as rapid as in 1955, and that Gross National Product will increase 40% by 1960. Author describes data businessmen should watch, and includes significance of recent national election and the threat of war.

Someone recently stated that America has become a nation of economic hypochondriacs, taking the country's temperature every hour on the hour, and worrying not only when it is abnormal but also worrying when it is normal because it could become abnormal. Although this temperature-taking might be criticized; it is also a source of some gratification. It means that businessmen and people generally are becoming more interested and more concerned with the nation's economic well-being.


Edmund A. Mennis

I might add it also presents a two-fold challenge to the economists. He must sharpen and perfect his tools and increase the accuracy of his figures so that he can report to the patient on the condition of his health. More important, the economist has the responsibility of presenting his findings in such a fashion that they are understood by every businessman. This challenge is especially critical at the present time, because an uneasy feeling exists in some quarters about the patient's health in the next six months or so. We get a number of reports on economic activity moving in a direction other than upward. Consequently, a temperature reading at the moment is certainly in order.

The Tools to Use

Before we take the temperature, however, it might be helpful to describe our thermometer and the figures on it. In the past few years we have heard more and more of that mysterious thing called Gross National Product. This is really just a handy device to measure changes in a country's economic health. Gross National Product is the measure of the nation's output of goods and services in terms of market value. It is one figure—currently some $413 billion—that is the price tag on our total output. By watching the changes in the factors that add up to this total output of goods and services, we can watch the forces at work that will mould our economic future. In short, it's one of our best forecasting devices. For forecasting long-term trends, emphasis is usually placed on the factors in the production of Gross National Product, for short-term forecasting more attention is paid to the consumption of the goods and services that make up Gross National Product.

Now let us look at Gross National Product briefly from these two directions: first, how it is produced and second, how it is taken off the market and consumed. From the production end, it can be derived by taking the people in our labor force, times an estimate of the hours they work and multiply the result by the dollar amount of goods and services they can produce in an hour. This output of goods and services in large part is a function of the capital equipment at the workers' disposal, the workers' own abilities and efficiency, and, of course, the raw materials they work with. It is dressed up by the economist in the word "productivity."

On the consumption side you can really do only four things with the nation's output. In the first place, you can give it to people to consume; in this fashion about two-thirds of the nation's product was used up last year. Secondly, you can give it to business to consume, and this is done in the form of expenditures for plant and equipment or in additions to inventories. About 8% of our nation's output was consumed here in 1955. The third thing that can happen to the Gross National Product is government can claim it and consume it; this accounted for about 21% of the annual output, divided about two-thirds to the Federal Government and one-third to state and local governments. Finally, our output can be shipped abroad and consumed there. Actually in Gross National Product figures we look at only the net balance of our exports and imports, and since this is so negligible it is not a matter of any concern in our overall figures.

The thing to remember in the consumption of Gross National Product is that certain of the goods consumed, things such as the way people use up food and clothing and services, change only gradually over a period of time. Government expenditures are somewhat less stable, but from governmental budgets we can get a pretty fair forecast of changes in this area. However, certain other types of consumption do not move gradually by move rather in large jumps. These things are consumers' purchases of durables such as automobiles, appliances and household goods. Wide variations also occur in business purchases of plant and equipment and also additions to business inventories. Therefore, in following the overall economy we tend to concentrate on changes in these relatively small but very volatile areas which have a far-reaching impact on our overall economic well-being.

Types of Forecasts

Using these two concepts of Gross National Product, the production approach and the consumption approach, the economist has developed two types of business forecasts. One can be called the long-term look and the other the short-term problem. The long-term look does not attempt to say where we will be specifically at any given point in the future but considers rather the path that we are following because of certain basic forces at work. It is, if you will, the trends that shape our future.

The short-term problem is one that concerns us more and one that is much more difficult to forecast. What we are attempting to do is to pinpoint with a fair degree of accuracy the fluctuation around the long-term trend for a period of six months or so in the future. If we get much beyond six months an attempt to forecast our position relative to our trend becomes relatively fruitless because of the many variables at work. I should now like to discuss these two types of forecasts and give you my own views on what they seem to be.

The Long-Term Trend

As I have mentioned, a long-term forecast of Gross National Product involves people, hours of work, and dollars of output per hour. But there are other forces, well known to all of you, that shape our path into the future.

Most important is the economic environment of the United States, a system of free enterprise capitalism that is unique in the world and provides the major incentive for our growth. It is a fundamental part of our method of self-government.

We are also blessed with abundant natural resources, which have enabled this free enterprise capitalism to develop the highest standard of living in the world.

A third force is the fact that, as a nation, we have given the Federal Government a major role in economic activity. This role goes beyond the provision of services or funds for things we have decided desirable. This role includes the policy—first explicitly stated in the Full Employment Act of 1946 — that the Federal Government will act to moderate economic fluctuations in order to maintain a high level of employment. The Federal Reserve System in the monetary sphere, The Treasury in the fiscal sphere and the vast array of other governments agencies are used to temper business booms or cushion business depressions.

Now for the factors that will make for a larger Gross National Product a decade from now—say 1965. The expected growth in our population and our labor force is too well known to require comment. As important as the growth of population is the great revolution in income distribution that has resulted in the creation of a vast middle-income market with an enormous demand for the conveniences and comforts of life—and, incidentally, for the leisure time to enjoy them. So our work week may well become shorter in the next 10 years.

Still another factor is the tremendous spending of business for modern equipment to meet this increased consumer demand and to offset the higher costs of doing business, especially higher wages. (Parenthetically, a corollary of this has been that business has become one of its own best customers for plant and equipment.) As a result of these expenditures, productivity per worker (or output per worker, if you will) is expected to increase at the rate close to 3% per year over the next decade, compared with an average of 2% per year during the past 50 years. This extra 1% compounded annually is a mighty potent factor in increasing our national output.

Now what do these basic forces at work mean for the economy in the long run? They mean not a stagnant or a mature economy, but one that is dynamic, one that will grow in total and grow in terms of the product available for each individual. A governmental estimate of Gross National Product in 1965 suggests that, with the labor force then and the productivity improvement we can expect, our nation would have a capability of producing $570 billion, almost 40% above the current level of $413 billion. This may well prove conservative. The fundamental fact is that the working of these dynamic forces that have made America what it is today provide the underlying assurance of its future growth.

The Short-Term Problem

Realizing full well what these long-term forces are not something in the future but something that is affecting our day-to-day operations, let us now turn to the short-term business outlook. More specifically, how did we get to where we are now, and where are we likely to be over the rest of the year? Here our discussion of who consumes what amount of Gross National Product becomes helpful.

As a starting point, we might review events in 1955, which will certainly be marked as one of the phenomenal years in American economic history. In that year the American people consumed the largest amount of Gross National Product in history and spent record sums for durable goods such as automobiles and appliances and homes. This tremendous demand was supplemented in the latter part of the year by increasing expenditures on the part of business for plant and equipment and for inventories. State and local expenditures increased throughout the year and the Federal Government finally got into the act toward the end of the year by increasing its demand on the nation's output also. Toward the end of the year, our productive capacity was strained to the limit; with demand increasing, labor approaching full employment and productive capacity reached, price inflation is always a threat. Consequently, the money managers of the Federal Reserve System permitted funds available for business and consumer borrowing to get progressively tighter in order to prevent prosperity from becoming a credit inflation boom.

The year 1956 was somewhat different. Although Gross National Product continued to move upward, the rate of increase was slower. More important, the consumption pattern of Gross National Product changed. The consumer, who had been a major force in the 1955 market, decreased his expenditures for durables such as automobiles, appliances and homes. Business spending for permanent facilities increased markedly, but business expenditures for inventories, although still growing, were at a lower rate. Finally, the upsurge in government expenditures in the 4th quarter of 1955 did not continue so rapidly. As a result, the economy moved upward at a slower rate and now seems to be on a high plateau. The challenging question at the moment is whether we go up or down from here.

Upward Growth in First Half Of 1957

The answer to that question can only be made in probabilities. I should like to give you my best guess and my suggestions for the things to watch to determine whether my guess will work out. My best guess is that for the remainder of this year, and at least the first part of 1957, we shall continue to move upward at a moderate rate. Business spending for plant and equipment should continue, although not at the rate of increase in 1956 compared with 1955. Nevertheless, many business plans were upset by shortages of labor and materials this year, and as a result these expenditures have been deferred until next year. With respect to inventories, the rate of accumulation is expected to increase in the next several months. Not only will strike-caused steel shortages cause reinventorying by manufacturers, but automobile inventories should be built up as well as inventories of machinery and other components connected with the business capital expenditure program.

A further stimulus to the economy should result from the consumer returning to the market for such durable items as automobiles and appliances. As the result of a recent trip to Detroit, I find the automobile industry relatively optimistic about next year, and domestic sales are expected to be about 10% higher than in 1956. The stimulus of dramatic restyling and the repayment of automobile credit previously incurred are expected to offset the somewhat higher prices of the new cars. Moreover, consumer expenditures for non-durable goods and services should continue to move upward as they did throughout 1956.

Government expenditures and construction expenditures, although not increasing markedly, will be at least sustaining forces next year. Increases in residential and other areas of private construction will not be great; but the public area, particularly expenditures for highways, should prove more dynamic.

The recent national election and the threat of war in the world raise the question of the impact of these two forces on our forecast. The election seems to have left us much in the same political position as we were before it took place, and consequently its economic significance does not seem especially important except insofar as it sustains the high level of confidence that has marked our progress in the last few years. From a purely economic point of view, and assuming we do not ourselves become involved, the outbreak of hostilities in various parts of the world supports the demand for goods and services that this country produces.

Summary

In summary then how do we appraise the business outlook? We have reviewed the long-term forces at work and find that they exert an upward pressure on the economy. An almost 40% increase in Gross National Product by 1965 is a reasonable expectation. Where can the businessman review the long-term factors and see how they are combined to get forecasts? The best source I know is a remarkable document prepared by the staff of the Congressional Joint Committee on the Economic Report, called "Potential Economic Growth of the United States During the Next Decade," and it is available from the Superintendent of Documents in Washington for 15c. In it you will find the statistics and the discussion to support the $570 billion figure—or enable you to make your own forecast if you wish.

Now to the more immediate problem—we have reviewed the short-term forces and find that they suggest an upward movement in our economy well into next year although the rate of increase will be not so great as the upsurge in 1955. What are the things for the businessman to watch to determine whether this forecast will work out? The volatile areas are consumer spending for durables—automobiles, household appliances and homes. An equally volatile area is business spending for plant and equipment and inventories. Any significant drop in these areas would suggest that the relatively optimistic view we have taken here should be modified.

How can the businessman watch these things? The best one source of reliable, accurate information I can suggest is put out every month by the Superintendent of Documents. It's called "Economic Indicators" and is prepared by the Council of Economic Advisors. A year's subscription is $2. It is by far the most useful economic document for the money you can get today. By charts, tables and brief comments, it will give you not only quarterly Gross National Product figures, but also the changes in its components and changes in other economic data

*An address by Mr. Mennis before the Germantown Exchange Club, Nov. 8, 1956.

that foreshadow Gross National Product data.

My invitation to you then is to join the temperature-takers of the economy. Within the framework of the nation's total output, the many changes reported in the daily paper will gain perspective. I hope that my remarks and the tools I have suggested will be of some help to enable you to be better informed economically both as businessmen and as citizens.

Brown Bros. Harriman Appoints Hoch, Hanson

Frank W. Hoch, formerly an assistant manager in the New York office of Brown Brothers Harriman & Co., 59 Wall Street, New York City, private bankers, investment advisors and securities brokers, has been appointed manager in the foreign investment department of the bank, it is announced.

The appointment of John C. Hanson, Jr., formerly account manager in the investment advisory department, as assistant manager in the investment department was also announced.

Mr. Hoch joined Brown Brothers Harriman & Co. in 1947 and was appointed assistant manager in the foreign investment department in March, 1955.

Mr. Hanson joined Brown Brothers Harriman & Co. in 1948, and since then has been in the investment advisory department. He will become head of the investment department January 1, succeeding Edwin K. Merrill, who is resigning to take an executive post with the Children's Aid Society.

Ekman to Discuss Year-End Tax Problems At New School

Sheldon V. Ekman, Chief of the Tax Department, S. D. Leidesdorf & Co. will answer specific questions on year-end tax problems at the New School for Social Research Thursday, November 29 at 5:30 p.m. Mr. Ekman appears as guest lecturer in the course, Your Investments, directed by A. Wilfred May, Executive Editor of "The Commercial and Financial Chronicle," and Leo Barnes, Chief Economist and Financial Editor of Prentice-Hall, Inc.

Nesbitt & Shields Opens

WASHINGTON, D. C. — Stephen J. Nesbitt and Thelma M. Shields have formed Nesbitt & Shields with offices at 635 F Street, N. W. to engage in a securities business.

H. S. Sanford Opens

WOODSIDE, Calif. — Harold S. Sanford is engaging in a securities business from offices at 169 Prospect Avenue. He was formerly with Kaiser & Co. in San Francisco.

Sprague Sidney Opens

ENGLEWOOD, N. J. — Sprague Sidney is engaging in a securities business from offices at 15 West Palisade Avenue.

Boettcher Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert L. Doering has been added to the staff of Boettcher and Company, 828 Seventeenth Street, members of the New York Stock Exchange.

Two With Columbia

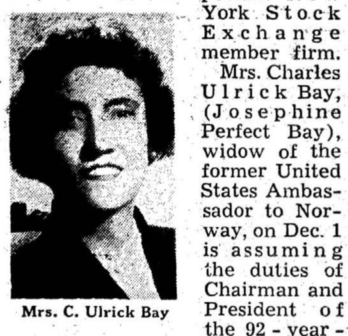
(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Seymour W. Nesse and Ralph H. Whitmore have become affiliated with Columbia Securities Company Inc. of Florida, 3839 Biscayne Boulevard.

Mrs. Charles Ulrick Bay First Woman to Become Chairman and President of NYSE Firm

Widow of former U. S. Ambassador to Norway assumes duties at A. M. Kidder & Co. on Dec. 1. No novice in world of business and finance, Mrs. Bay is Chairman of the Executive Committee of American Export Lines and Director of Connecticut Railway and Lighting Company.

For the first time in Wall Street's 200 years a woman this week becomes Chairman of the Board and President of an important New York Stock Exchange member firm.


Mrs. C. Ulrick Bay

Mrs. Charles Ulrick Bay, (Josephine Perfect Bay), widow of the former United States Ambassador to Norway, on Dec. 1 is assuming the duties of Chairman and President of the 92 - year - old A. M. Kidder & Co.

To make possible Mrs. Bay's election to the two positions, the Kidder company has dissolved its partnership and is continuing business, after Dec. 1, as a member corporation under the same name. In addition to its main office at 1 Wall Street, New York City, Kidder maintains 20 other offices and 16 correspondent offices in the United States and Canada.

"I am proud, but most humble, that I am the first woman to head a Wall Street brokerage firm," Mrs. Bay told newsmen at a press conference held at the Twenty One Club in New York City. "With women's tremendous progress — particularly in the last few years—in our great country it was inevitable this would happen, just as some other woman was the first judge, and still others the first engineer, minister, etc.

"I am most happy the honor and opportunity have come to me. I am grateful, too, for the way the financial community has accepted me," she said. "In assuming these positions I will have an opportunity to carry on the ideals of my husband—and to put to work the knowledge I have acquired over the years as his business partner in varied enterprises."

Mrs. Bay — a tall, charming, dark-haired lady — brings to her new position a considerable background of business experience.

From her younger days in Brooklyn Heights, when she and her sister, (Tirzah Perfect), managed a thriving greeting card business, Mrs. Bay has been unusually active in many business fields. Her marriage to Mr. Bay, who, from a modest start in the surgical dressings field, became one of New York's most successful financiers, gave her many opportunities to participate in business ventures. Mr. Bay always shared his thinking with her. She attended many business meetings, luncheons and conferences with him—and the Bay business decisions were often the result of their discussions and joint judgment.

When her husband became ill in 1954, Mrs. Bay took over many of his duties. In 1955 she was elected a Director of the American Export Lines and on Oct. 17 of this year she was named Chairman of the Executive Committee of the line. At present she represents control of approximately one-third of the outstanding common shares.

In addition, Mrs. Bay is a Director and stockholder of the Connecticut Railway and Lighting Company, (Bridgeport, Conn.), which in turn owns (a) one of the largest individually held blocks of stock in the New York, New Haven & Hartford Railroad and (b) important land and power properties now leased on a long-term basis to the Connecticut Light and Power Company. The Connecticut Railway and Lighting Company also operates a large inter-urban bus line in Southern Connecticut.

As the hostess of the American Embassy in Norway during the years 1946 to 1953 when her husband was the U. S. Ambassador to that war-stricken, gallant country, Mrs. Bay won many friends for the United States by her charm and graciousness. Working beside her husband in the days of the NATO organization and the Marshall Plan—she garnered an intimate knowledge of foreign relations. She became a close friend of the Dwight D. Eisenhowers when the General headed NATO —and frequently visited the Embassy—and she and Mrs. Eisenhower call each other by their first names.

Mrs. Bay is the mother of three Norwegian-born children, ranging from 7 to 12 years in age, whom she and her husband adopted while they were in that country. They are all now U. S. citizens. Mrs. Bay and her family reside on Park Avenue here.

In the new organization at Kidder, all holders of voting stock are officers and directors. In addition to Mrs. Bay (Chairman and President) they are Richard M. Barnes, Dudley J. Byers, Frank W. Conlin, Albert C. Hugo, Milton E. Lawrence, John J. Morley, Harry J. Neal, Jr., D. Arnold Skelly, Myron D. Stein and James C. Warren. In addition, Mr. Conlin is Secretary and Mr. Neal is Treasurer.

Officers but not stockholders are Jane Foster, Edmund D. Read and Rosswell J. Yunker, Assistant Secretaries, and Howard D. Ginder, Frederick H. Howell and Raymond O'Mara, Assistant Treasurers.

With Reynolds & Co.

PHILADELPHIA, Pa. — Reynolds & Co., members of the New York Stock Exchange and other leading exchanges, announce that J. Thomas Kelly has become associated with them as a registered representative in their Philadelphia office, 1526 Chestnut Street.

Prior to joining Reynolds & Co., Mr. Kelly was Eastern Regional Sales Manager for BullDog Electrical Products Co., with headquarters in New York City.

Joins McDaniel Lewis

GREENSBORO, N. C.—McDaniel Lewis & Co., Jefferson Building, has announced the association with them of Edward R. Lowry, former Representative of R. S. Dickson & Company in Greensboro. Mr. Lowry will handle trading duties in both the Municipal and Corporate fields.

Plymouth Bond & Share

MIAMI, Fla. — Plymouth Bond & Share Corporation has been formed with offices in the Ainsley Building to engage in a securities business. Joseph A. Rayvis is a principal of the firm. Mr. Rayvis in the past conducted his own investment business in Miami. He has recently been with H. Hentz & Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Prices of Government securities continue to be very much on the defensive at or near their all-time lows due to bank selling and fear of another increase in the discount rate. This means that the interest in Treasury obligations is still at a very low ebb. Exchanges are being made for tax purposes and it is expected this will continue to be the case for the balance of the year. The near-term market for Government issues is an active one, with considerable interest and breadth. The tight money policy has created great uncertainty in both the bond and stock markets, since the availability of money and credit has about reached the point where higher rates will not increase this supply to any appreciable extent.

Reports seem to indicate that the uncertain Middle East situation could be responsible for the postponement of another increase in the discount rate. In spite of these reports, some money market specialists believe that the domestic trend of economic conditions will be the main ruling force as far as the future course of the Central Bank rate is concerned.

Interest Centered in Treasury Short-Terms

The refunding and new money raising operations of the Treasury are still factors in the money market in spite of the other things which are going on, such as tax operations and, in a not too large way, the purchases by public funds of selected long-term Government obligations. The interest in Treasury issues continues to be principally in the short-term securities because the other segments of the Government market are still feeling the pressure of bank selling to get funds for loans and the competition of corporate and tax-exempt bonds offerings. There is evidence that the latter obligations in some cases are selling at prices which now give them greater appeal than the corporate issues as far as certain investors are concerned. The ample supply of the tax sheltered bonds, is pushing the yields of these issues up to levels that are beginning to attract money which had been invested in other securities, including common stocks.

Debate on Future Discount Rate Continues

The future course of the discount rate is as lively a topic of conversation as ever in the money market, with some of those in the financial district still of the opinion that the Central Bank rate will be pushed up again before the end of the year. On the other hand, there are others who hold to the opinion that the discount rate will not be increased until sometime in 1957, if then. The latter put forth the argument that the business picture, while still strong, will continue to have considerable competition to contend with, which will tend to take a good deal of the inflationary pressure away from prices. The confused international situation has brought about higher prices for certain commodities, but it is believed by this group that unless there is a worsening of world relations, these price increases will not carry too much further. If the price-wage spiral at home should be at a peak or close to it, some of the pressure might be taken off the money market.

Equity Market on Defensive

The action of the equity market is being watched very closely by money market specialists, since the defensive trend of prices of common stocks seems to indicate that more conservative investment positions are being taken by not a few portfolio managers. This does not mean yet that Government bonds are being substituted in an important way for equities, because the tax-exempts and corporate obligations have more attraction for those that are making exchanges into senior securities. Preferred stocks are in some instances being bought with the proceeds from the sale of common stocks. On the other hand, short-term Governments, as well as selected intermediate-term Treasuries, are being bought by some of those that have been taking profits and losses in common stocks.

Demand for Capital Still Large

Even though the offerings of corporate issues have slowed down somewhat, this is not an unusual development at this time of the year. However, it is expected that the demand for capital will continue to be large, and between now and after the turn of the new year there will be a pick-up in the flotations of corporate securities. Taxes are still very high and even though interest rates may continue to advance, the cost of borrowing by those that have to pay taxes will not be increased very much since the Government pays more than 50% of the expense of meeting these fixed charges. States and municipalities are not in such a favorable position because the Government is not a partner to such borrowings, and a higher level of interest rates might tend to slow down somewhat tax-exempt offerings. The lack of breadth and the uncertain position of the market for most fixed income issues might be an indication that offerings of new securities will be slowing down in the future.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

BRADENTON, Fla. — Copeland C. Carter, Jr. has become connected with Goodbody & Co., 419 Twelfth Street, West.

Joins Pan American

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Estelle Alexander has joined the staff of Pan American Securities, 561 Northeast 79th Street. Miss Alexander was previously with Francis I. du Pont & Co.

Louis McClure Adds

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla. — Jeanne E. Truitt has been added to the staff of Louis C. McClure & Co., 617 Madison Street.

With Security Planning

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla. — Celiz E. Adams has become affiliated with Security Planning, Inc., Harvey Building.

Public Utility Securities

By OWEN ELY

Gas Service Company

Gas Service Company was formerly a subsidiary of Cities Service Company, but in April 1954 the latter company sold the entire common stock (1,500,000 shares) the retail price to the public being 23⅝. The sale was made to comply with the requirements of the Public Utility Holding Company Act.

The company was organized in 1925 and has annual revenues of about $61 million. Growth has been good, with a gain in revenues of about 135% since 1946. The company is strictly a retailer, serving 239 communities in Missouri, Kansas, Oklahoma and Nebraska. The principal market is in the Kansas City metropolitan area; other important cities include Wichita, Hutchinson and Topeka, Kansas; St. Joseph and Joplin, Missouri; and Bartlesville, Oklahoma.

Fifteen years ago the area was largely agricultural, but since World War II it has acquired substantial and diversified industrial business. The company sells a considerable amount of gas to utility companies for the generation of electric power. Industrial customers making foods and related products also are heavy consumers. Other important industries are iron and steel, glass, fabricated metal products, oil refining, chemicals, paper, railroad shops, pottery, cement, rubber, etc.

The company continues to buy about 97% of its gas from Cities Service Gas Company, with the remaining 3% obtained from Panhandle Eastern and others. The contract with Cities Service continues until 1972 and can be automatically renewed for five-year periods thereafter. The company is Cities Service Gas' largest customer, and the supplier is said to have adequate reserves. Some of the world's largest fields and reserves are in this area.

In the immediate postwar years the company, along with others, was slow about developing the cooking market. An aggressive sales and advertising campaign, together with refinements in gas appliances, has now improved its competitive position in this field. The company has practically no competition for the space heating and water heating load, its rate for domestic gas in Kansas City being far below the cost of oil or coal; comparative annual fuel costs last year for an average home in Kansas City, Mo. were as follows: gas $107, coal $168, and oil $179. The rate for interruptible service to large industrial customers is substantially below the cost of competitive fuels.

In the recent official listing of 135 houses in the Parade of Homes, sponsored by the Home Builder's Association of Greater Kansas City, Missouri, all were equipped with gas furnaces and gas water heaters; 70 homes, or 52% of the total, were equipped with gas ranges, Servel refrigerators, and at least one other gas appliance.

To aid in the development of a summer air-conditioning load, the company has employed air-conditioning engineers to consult with and assist builders and architects in designing and installing gas equipment. The program has been successful, particularly with respect to the air-conditioning of commercial and industrial establishments; the company now has connected some 5,861 tons of refrigeration. It is anticipated that a satisfactory residential air-conditioning unit will be available within the next two years. Based on its present rate structure, air-conditioning with natural gas costs only about 40% as much as with electricity at prevailing electric rates.

The company's capital structure on Aug. 31 was about 60% funded debt and 40% common stock equity. More recently the company has borrowed $4 million from the banks, which amount may be funded next year along with about $6.4 million for construction, making the ratios 65%-35%.

The company's common stock record (including seven years when it was controlled by Cities Service) has been as follows:

Years	†Earns.	§Dividends	Approx. Price Range
*1956	‡$2.00	$1.36	27-23
1955	1.85	1.36	28-23
1954	[illegible]	1.24	25-22⅝
1953	1.41		
1952	1.68		
1951	1.84		
1950	1.99		
1949	2.07		
1948	1.86		
1947	1.48		

*Estimated

†Based on 1,500,000 shares (the amount sold to the public in 1954) for the entire period.

§Prior to 1954, dividends were paid to Cities Service Company, which owned all of the common stock.

‡For the 12 months ended Sept. 30, 1956, $2.25 was earned vs. $1.83 for the same period in 1955. A favorable break on weather in October and November would increase calendar year earnings over the $2 estimate.

Cities Service Gas filed rate increases some time ago, which were settled last May; Gas Service's rates were then raised. This adjustment is considered favorable for stockholders.

At the recent over-counter price around 23½, paying $1.36, the stock yields 5.8%. With earnings estimated at $2 the price-earnings ratio would be a little under 12. These figures compare with recent industry averages around 5.1 and 12.7, respectively.

Central Republic Adds

(Special to THE FINANCIAL CHRONICLE)

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

E. S. Hope Adds

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—William B. Lipps is now affiliated with E. S. Hope & Co., Inc., 415 Laurel St.

Edwin Berl Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Leo A. Costello has been added to the staff of Edwin D. Berl & Sons, 333 Montgomery Street.

NASD District No. 8 Elects Four

CHICAGO, Ill.—Announcement has been made of the election of four new members to District Committee No. 8 (Illinois, Indiana,

Sanford C. Miller

Warren D. Chiles

T. Gordon Kelly

James M. Howe

Iowa, Michigan, Nebraska and Wisconsin) of the National Association of Securities Dealers. They are: Sanford C. Miller, vice president, A. C. Allyn & Co., Inc., Chicago; Warren D. Chiles, president, Chiles-Schutz Co., Omaha, Neb.; T. Gordon Kelly, vice president, Collett & Co., Inc., Indianapolis, Ind.; and James M. Howe, partner, Farwell, Chapman & Co., Chicago.

Nat'l Stock Summary Lists 20,183 Secs.

The October, 1956 issue of the National Stock Summary, published by the National Quotation Bureau, Incorporated, carried quotations on 20,183 securities that are traded in the over-the-counter market, Louis Walker, President of the National Quotation Bureau, announced. These issues represent the securities of 19,298 companies, Mr. Walker said.

L. E. Walker

There was a total of 3,645 issues that were listed on a registered securities exchange in the United States or Canada, out of which some 2,250 were quoted in the over-the-counter market as well, Mr. Walker added.

Joins First California

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John T. Wallace is now connected with First California Co., Inc., 300 Montgomery Street.

Jamieson Adds Three

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—David W. Aregger, Grant F. Cotton and Donald H. McRae are now connected with H. L. Jamieson Co., Inc., Russ Building.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Martin S. Chase is with Merrill Lynch, Pierce, Fenner & Beane, 301 Montgomery Street.

$154 Million Memphis Electric Revenue Bonds Expected to Be Marketed Shortly

Largest single municipal issue is scheduled to be offered about Dec. 15 by nationwide syndicate headed by Salomon Bros. & Hutzler.

A nationwide syndicate of some 450 members, headed by Salomon Bros. & Hutzler, New York City, plans to make public offering on or about Dec. 15 of $154,000,000 Memphis, Tenn., electric revenue bonds, representing the largest single piece of financing ever undertaken by a municipality. Proceeds of the issue will be used to finance the huge power plant the city is obliged to build in order to meet the expanding energy needs of its area. Associate managers of the underwriting syndicate will include Smith, Barney & Co., Halsey, Stuart & Co., Inc., Blyth & Co., Inc., J. C. Bradford & Co., and the Equitable Securities Corp.

The tax-exempt bonds will be repaid within 35 years from the municipality's Electric Division revenues. These, say Memphis officials, will provide an over-all debt service coverage more than adequate to protect the investment.

The far flung program has been described by Mayor Edmund Orgill of Memphis as an "outstanding example of public power without public subsidy." The project, when it is complete, will permit Memphis to produce public power at the same rate level as the Tennessee Valley Authority (from which it now purchases its electrical energy) and without direct or indirect taxes, or at higher prices.

To be built are three steam-electric turbo-generator units with an aggregate net capability of 812,500 kilowatts. The plant will be constructed on the Ensley Plantation on the south shore of McKellar Lake, adjoining a new harbor and industrial development area. The project will enable the swiftly-growing Memphis area, including Shelby County, to meet increasing demands for low-cost power by citizens and expanding industries. A report on the project's feasibility, prepared by Burns and Roe, of New York, shows that the population of this area has increased between 80 and 90 per cent in the past 25 years and that nearly 500 new industries have been established there in the past 10 years alone. The expansion, over-all, has been at a rate far more rapid than for most areas of comparable size.

Memphis' contract for power with TVA will cease on June 1, 1958. But the city and TVA will continue to cooperate through an interchange agreement, which will make it possible for either one to tap the other's resources in case of need. In fact, it is pointed out, the Memphis power plant may at times relieve the burden of TVA, which is serving 154 other communities. Memphis officials are convinced that the city can build this plant, operate it and finance it at a cost comparing very favorably with the present and future cost of TVA energy.

It has been determined that the operating revenues of the city's Electric Division, without increasing rates, will be sufficient for operating expenses, for interest on the revenue bonds series 1956, as well as for the small amount of general obligation bonds and inter-divisional notes, and for the retirement of these obligations.

The operating revenues will also provide funds for necessary renewals, replacements and improvements to the plant and other facilities, appropriate reserves, and for reasonable annual payments to the City of Memphis in lieu of taxes.

Operating revenues for three years, chosen at five-year intervals, are expected to be: 1956 — $23,460,237; 1960 — $38,739,114; and 1965 — $65,128,564. After the addition of miscellaneous income and the deduction of operating expenses, the net revenue available for debt service will be: 1956 —$6,874,740; 1960 — $17,550,831; and 1965 — $27,210,438.

By 1956 a bond reserve fund will have been set aside amounting to $11,013,793. (The bond reserve is a fund, set up out of earnings, sufficient to cover the highest interest and principal repayment required in any one year.)

It is pointed out that the total number of Electric Division customers increased from 49,456 at the end of 1930 to 163,318 at the end of 1955, or 230%. During the same period, the population of Shelby County grew from 306,482 to an estimated 554,312, or an increase of 81%. It thus is clear, say Memphis officials, that the healthy growth in the demand for power is not dependent alone on the mere influx of new residents. Not only have many new industries moved into the area in recent years, but existing customers have been using larger amounts of power and new outlets for electric energy are being increasingly utilized.

The gross bonded debt of Memphis has shown an increase of only $26 million during the last quarter of a century. Net bonded debt of the city, the gross with the sinking fund reserves deducted, totaled only $48,876,263 on January 1, 1956. Memphis maintains sinking funds to guarantee debt payment, and these funds have increased steadily from 1930 to the present. Since 1930, no bonds have been issued to provide funds for current operations, for relief or for other temporary purposes. Refunding has been confined to a principal amount of $838,000 issued between 1931 and 1936, all maturing before 1943 for refunding street improvement and assessment bonds.

While the bond issue for the new plant is being offered in the name of the City of Memphis, the Electric Division, as an independent department of the civil government, handles its own funds and meets its own obligations, including the bonded debt. Any large expenditures it plans to make, must, however, be approved by the city government.

Though the Electric Division makes payment in lieu of taxes to the City of Memphis so that the municipality is not deprived of tax income it would receive if the utility were privately owned, service on the division's indebtedness takes precedence over such payments in lieu of taxes.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Ada M. R. Page is now with King Merritt & Co., Inc., 1151 South Broadway. She was formerly with H. L. Jamieson & Co., Inc.

W. del Dotto Opens

FITZWILLIAM DEPOT, N. H.—Walter del Dotto is engaging in a securities business from offices here under the firm name of Walter del Dotto & Co. He was formerly with Gave-Wiley & Co.

G. W. Metlar Opens

REDWOOD CITY, Calif. — George W. Metlar has opened offices to engage in a securities business. He was formerly with Reynolds & Co.

Impact of Suez-Oil Crisis And a Middle East Program

By GEORGE L. PARKHURST*

Vice-President, Standard Oil Company of California
Director, Arabian American Oil Company

Prominent oil official terms attack on Egypt "a most serious mistake," in describing the crucial economic consequences to Europe, now coming on top of what had been, heretofore, an oil shortage due to insufficient transportation. Believes European "dollar shortage" will re-appear, and delivery costs of countless commodities from and to every world continent will increase. Mr. Parkhurst doubts it is feasible to fully mobilize free world oil resources, and offers a program to consolidate U. S. A.'s Middle East position, and to prevent further U. S. S. R. rapidly rising influence. Warns that Europe's dependence on this area's oil will, in time, likewise be true for U. S. A.

First, I would like to present a few background facts concerning the economic importance of the Middle East. The area is strategically located, standing at the cross-roads of Europe, Asia and Africa. It would be of great importance to us for that reason if for no other.

G. L. Parkhurst

In addition, however, a small area near the Persian Gulf contains at least half and probably two-thirds of the world's known petroleum reserves. Each of two countries, Saudi Arabia and the tiny sheikdom of Kuwait, has known oil reserves about as great as those of the United States. Moreover, the Middle East has not been intensively explored for oil and we can confidently predict that new fields of great magnitude will be found.

Europe depends on this oil to an ever greater extent. It is literally Europe's life blood. Large parts of Asia and Africa also depend on petroleum from the Persian Gulf. The Western Hemisphere could do without Persian Gulf oil for the time being but it is obvious, I think, that even the United States will some day find this source of petroleum indispensable to its domestic economy.

This vast importance of Persian Gulf oil highlights the vital character of the Suez Canal, through which more than one and a half million barrels per day of petroleum and its products normally flow.

Semantics of Nationalization

With this background, I would like to go back to the start of the Suez crisis. The trigger which set off a most unfortunate chain of events was, of course, Egypt's nationalization of the Universal Suez Canal Company. This sudden action on the part of General Abdul Nasser was, to my mind, both an illegal act and an immoral act. It is unfortunate that the greater immoralities which have supervened have eclipsed this single fact and made the world forget that the crisis was initiated by Egypt's tearing up a solemn agreement without notice.

Perhaps some may ask why I refer to the nationalization of the Canal as an illegal and immoral act. Was not the Universal Suez Canal Company an Egyptian corporation? Is not nationalization the right of any sovereign nation?

The answer is that "nationalization" has become a much abused word. It is used as a cloak to cover up the ugly fact of abrogation of solemn contractual obligations.

There is a vast difference between two kinds of action to which the word "nationalization" is applied. In the first type, a government merely takes over private properties for the general welfare of the state. Where this does not constitute a violation of either a contract or a treaty entered into by the government concerned, the right to nationalize is universally recognized. In the second type of so-called "nationalization," the government has entered into a contractual obligation and has thereby, in effect, given up its right to nationalize for a limited period of time. The unilateral breach of such an obligation by a government is legally unjustifiable as well as morally unjustifiable. It cannot and must not be condoned. This is not nationalization but rather violation of the solemn contractual obligation of a government.

To illustrate the point, if a private company elects to make an investment in a foreign country and does not secure any contractual assurances from the foreign government with regard to the duration of its right to operate free from government interference, the company takes the risk of nationalization. In the event of such nationalization the company concerned is entitled only to prompt, adequate and effective compensation. On the other hand, if the investments are so large or the risks so great or the commercial considerations so important that the government and the company desire to enter into a long-term contract, that contract, like any other, can be modified only by mutual consent of the parties.

If the world cannot rely on the keeping of agreements by nations, the world as a whole must suffer since many important enterprises will not be undertaken. An example of this is the Suez Canal, which would never have been built except for dependence on the strength of contractual obligations between the Egyptian Government and the Canal Company. Other examples are the vast oil enterprises throughout the world upon which much of the industrial civilization of the free world has come to depend.

The world will suffer if such contractual relations are not honored since some of the enterprises which should be built up for the benefit of the world community, particularly within the so-called under-developed countries, will not prove feasible in the absence of faith in the sanctity of international contracts.

Thus it seems to me that the greatest economic implications of the Suez crisis is the weakening of the moral fiber of our international commercial system. The unilateral act of Abdul Nasser in seizing the Canal did not justify and only partly explains the attack on Egypt by Israel, Britain and France. That attack was, in my opinion, a most serious mistake.

Consequences of Attack on Egypt

What are the economic consequences which flow from the attack on Egypt? First of all, the Suez Canal is shut down and those pipe lines in which there are British and French interests are out of operation. With the exception of 325,000 barrels per day carried by the American-owned Tapline, all oil bound westward from the Persian Gulf must transit Africa. A tanker can carry only a little more than half as much oil around Africa as it could via the Canal. The flow of oil from the Persian Gulf is seriously slowing down.

No one knows how long this situation will prevail. Given restoration of normal political circumstances in the area and mobilization of an all-out effort, the Canal could presumably be cleared within a few months. Partial operation of the pipe line from Iraq could presumably be attained rather quickly but full restoration of this operation will probably involve rebuilding of major pumping stations and a consequent very long time lag.

In the meantime what is the economic effect on the world? Primarily, the Canal shut-down increases costs of delivery of countless commodities from and to every continent of the world. There is not a nation so small or so remote that it will not feel the effect of the clogging of this artery.

Doubts All-Out Oil Mobilization Is Feasible

As for the effect on the petroleum industry it is fair to say that if the resources of the free world could be fully mobilized without regard for political, economic and legal problems, serious shortages could probably be avoided. However, such an all-out mobilization is not feasible in the present circumstances.

There is an impending shortage of oil in Europe. In fact, it is not impending but immediate and real. As is obvious, it is a shortage resulting solely from a shortage of transportation. Individual oil companies are making Herculean efforts to mitigate the effects of that shortage.

Incidentally, I have been asked whether there will be a serious effect on the production of chemicals in Europe. (I don't know). I am sure that the Suez crisis will have a significant effect on petrochemical output in Europe. However, the magnitude of this effect will obviously depend on the supplies of oil available to individual companies since there is no general system of rationing or allocation in operation. If I were endeavoring to forecast the vigor of European chemicals competition, I would not take too much comfort in the Suez crisis even though it may have a very substantial short-range impact on individual companies.

Predicts Dollar Shortage for Europe

The effect of this crisis on the European economy as a whole will, however, be very great. First, there is the cost of the operation in Egypt. Second, there is the high cost of shipping dry cargoes as well as oil by circuitous routes. Third, there is a loss of trade resulting from limited transportation facilities. Fourth, there is the inflation of tanker rates which have gone sky high. Fifth, there is the purchase of oil in the Western Hemisphere (United States and Venezuela) for dollars. This is already occurring and will have to be increased. The Western Hemisphere purchases are necessitated partly by the embargoes imposed by certain Arab states against the United Kingdom and France but mostly by the sheer physical necessity for conserving transportation by substituting the short haul across the Atlantic for the long haul around Africa.

I venture to predict that the term "dollar shortage" will again become a familiar one in Europe.

As a result of all this, it is obvious that England, France and many innocent bystander countries in Europe will suffer serious economic consequences resulting from recent events in the Middle East.

While the whole of Europe is bearing the current economic impact of the Suez crisis, the long-range effect will, of course, be greatest on England and France. I am not one of those who say that these countries can never regain a position in the Arab World. I do say, however, that it will be many years before their act against Egypt is forgiven and forgotten in the Arab countries.

Arabs Praise for U. S. A. and U. S. S. R.

The United States on the other hand has greatly enhanced its standing and prestige in all of the Arab nations by its courageous action in taking a strong moral stand in the United Nations in opposition to Britain and France.

Unfortunately, however, the Soviet Union has also greatly enhanced its position in the Arab World. Like the U. S. it has opposed the armed action by Israel, Britain and France but it has gone further by threatening these countries. Accordingly, Russia is given much credit in the Middle East for having caused France and England to accept the cease fire. Russia's position is at an all-time high in the Near East.

The present is a decisive moment in the history of the Middle East. England and France, which long enjoyed positions of political and commercial leadership in the area, have made a desperate gamble and have clearly lost. There is a vacuum. It will be filled by Russia or by the United States.

Russia, from a standing start a year or two ago, has made great strides and is now strongly entrenched in a few Middle East countries. The penetration is wide and deep. On the other hand, we too have enhanced our position in this area. Our actions before the United Nations have created new friendships and cemented old ones. I am convinced that we have a real opportunity to attain moral, political and economic leadership in this part of the world.

We can achieve this by certain simple steps:

First, to come back to my opening theme, we must take a firm stand on sanctity of contracts. At the same time we must convince those with whom we deal that we are eminently fair and reasonable in our commercial and political relationships. Accordingly we should take the leadership in settling the Suez Canal nationalization controversy in a way which will not reward Abdul Nasser for his seizure of the Canal. This settlement will be harder to achieve than it would have been before the armed action in Egypt and it was hard enough then. It must, however, be accomplished. Perhaps the best hope is to achieve a settlement tied in with plans for expansion of the Canal.

On the political front, if the United States is to seize this opportunity to gain leadership in the Middle East, we must continue to insist that the cease-fire be maintained and that England, France and Israel withdraw their troops. In general, the United States must continue to take a firm, impartial and effective stand in the United Nations. We must demonstrate whenever necessary that we can and will act independently of British and French policy. We must convince the Arabs the United States will give Israel no special favor or privilege but will treat that nation like all others. We must help repatriate or resettle the Palestine refugees and assist in raising the standard of living in the Middle East.

If we do these things the Suez crisis will have served to strengthen very greatly the position of the United States in this strategic area. If we do not do these things, Russian influence in certain of the Arab states will continue its recent very rapid growth.

*An address by Mr. Parkhurst before the Manufacturing Chemists Association, New York City, Nov. 20, 1956.

Brown, Currie Named To NASD Dist. Comm.

DALLAS, Tex. — Jack P. Brown, vice president, Dallas Union Securities Co., Dallas, and Jack T. Currie, general partner,

Jack P. Brown

Jack T. Currie

Moreland, Brandenberger, Johnson & Currie, Galveston, have been elected to NASD's District Committee No. 6 (Texas).

Mr. Brown succeeds Barron McCulloch, Barron McCulloch & Co., Fort Worth, and Mr. Currie succeeds Walter M. Sorenson, Rotan, Mosle & Co., Houston.

Form Freeman Secs. Corp.

DALLAS, Texas—Freeman Securities Corp. has been formed with offices in the Fidelity Union Life Building, to conduct a securities business. Offices are John H. Freeman, President; John J. Howarth, Vice-President; and Mrs. Peggy King, Secretary-Treasurer.

Walter Unger Opens

BALTIMORE, Md.—Walter Unger is engaging in a securities business from offices at 2026 Maryland Avenue. He was formerly with A. J. Grayson Corp.

Form Security Inv.

INDIANAPOLIS, Ind.—Security Investment Corp. has been formed with offices at 1639 Lafayette Road to engage in a securities business. Officers are Charles R. Hixon, President; Wilmer J. Landry, Vice-President, and M. M. Hixon, Secretary. Mr. Hixon and Mr. Landry were previously with Eastern Securities Corp.

Frank Knowlton Adds

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Vernon E. Moore has been added to the staff of Frank Knowlton & Co., Bank of America Building.

With Financial Inv.

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Bock Wah Wong is with Financial Investors Incorporated, 1716 Broadway.

Carr Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Harry S. Gruber has been added to the staff of Carr & Company, Penobscot Building, members of the Detroit Stock Exchange.

Ashton Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Helen O. Burns has been added to the staff of Ashton & Co., 15315 West McNichols Road.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

Springfield Fire & Marine Insurance Co.

Springfield Fire & Marine Insurance Company, of Springfield, Mass., began business in 1851 with a paid-in capital of $100,000. The company was the idea of Marvin Chapin, who objected to the sending of premium money out of Springfield, and thought that a city of that size merited an insurance company of its own.

The organization had not been in business very long when, as so many companies of the era experienced, there was a serious impairment of its capital funds. In Springfield's case the great Chicago conflagration piled up losses totaling $450,000. The directors promptly assessed the shareholders $65 a share on the $100 par value stock "to repair its capital." This was a serious blow to Springfield Fire, but with its capital brought back to the original amount by the assessment, the company was faced with another conflagration, the Boston fire, which destroyed nearly $80 million in property values. This time the assessment was one of $30 a share on the stock, for a total of $95 in two years.

But the company had by its prompt payments established its reputation of meeting its obligations in full, an important asset for an insurance company, particularly in those days.

Then, in 1906 catastrophe hit again. This time it was the fire following the San Francisco earthquake. This loss was $1,676,000 for Springfield. This time, and in spite of the size of the loss, there was no assessment.

When the automobile appeared, the company was one of the first to sell coverage, although at first limiting its risks in this line to fires resulting from external causes only.

In the 1920's Springfield started to acquire other companies as subsidiaries, and today its fleet consists of, besides the parent company, Michigan Fire & Marine and New England Insurance Company. Two others were merged. Practically all forms of insurance coverage, save life, are written; and the company is licensed to do business in all states and in Canada. Premium volume increased 98% in the decade ended Dec. 31, 1955. A breakdown of the 1955 writings into principal categories follows:

Fire	46.2%
Extended Coverage	14.6
Inland Marine	7.7
Workmen's Compensation	2.2
Auto Bodily Injury	4.2
Auto Property Damage	2.0
Auto Physical	10.3
All Others	12.8

A distribution of assets as of the end of 1955 was as follows:

Cash	3.4%
U. S. Government Obligations	23.0
Other Bonds	22.3
Preferred Stocks	7.6
Common Stocks	33.5
Other Investments	3.9
All Other Assets	7.5
Market Adjustment	—1.2

With close to 50% of the total assets committed to bonds and cash, Springfield follows a conservative investment policy.

Ten-Year Statistical Record — Per Share

	Liq. Value	Adj. Und. Gain*	Invest. Income	Federal Taxes	Net Earns.	Invest. Assets†	—Price Range— High	Low
‡1946	$58.42	$1.64	$2.72	$0.01	$4.35	$80.49	54¼	40¼
1947	55.69	0.35	2.20	----	2.55	83.71	45½	37¼
1948	59.35	3.84	2.55	0.82	5.57	93.07	47	40
1949	63.00	6.63	2.86	2.98	6.51	105.95	49	41
1950	74.84	4.33	3.26	1.56	6.03	112.62	48½	41½
1951	79.19	3.09	3.42	0.51	6.00	122.82	56½	41½
1952	83.33	4.50	3.63	2.53	5.60	129.72	54¼	44
1953	85.03	1.78	3.83	1.56	4.05	133.39	55¼	43½
1954	99.84	—0.22	4.70	1.43	2.42	148.28	61½	46½
1955	106.62	—1.57	4.20	0.03	2.60	153.86	67¼	55½

*Consists of statutory gain or loss plus equity in change in the year in the unearned premium reserve.

†Consists of policyholder's equity and voluntary reserves, plus equity in unearned premium reserve.

‡Adjusted for capital change.

There has been no interruption in Springfield's dividend record since 1867, an enviable record of 89 years of payments. Since organization the company has disbursed over $41 million in cash payments to the shareholders, and stock dividends have totaled $3,000,000. The present cash rate is $2 annually, only about 48% of the 1955 investment income. By retention of a substantial proportion of investment income Springfield has improved its percentage of liquidating value to net premium volume. This betterment has been from 93% as recently as 1951 to 70% in 1955.

The underwriting profit margin for the ten years ended with 1955 was 3.8%. The gain to the shareholder in that decade (the gain consisting of the increase in his equity plus cash dividends in the period) was $67.58, or at an annual rate of $6.76. At this rate only 6.8 years would be required to obtain a return of the Sept. 30, 1956, price of Springfield stock. Investment income increased in the same ten years by 116%.

Selling at present at about 46¼, the yield is approximately 4.33%. The shares are selling at about 17¾ times 1955 net earnings, and about 11.2 times average earnings for the past five calendar years, a fairer comparison.

Down somewhat from its 1955 high, the stock offers good investment value in the present price area.

Are Canadian Prices Moving Up?

Bank of Montreal presents an insight into price movements in Canada by presenting conflicting arguments as to whether there is a long-term upward price trend.

Rising prices in Canada are once more attracting attention and are giving concern that they may be a recurring feature in the years ahead, according to the Bank of Montreal in its November "Business Review."

Prices on the Move

"The two indices," the Bank states, "that provide a broad measure of price movements in Canada, namely the consumer price index and the wholesale price index, have each risen noticeably in recent months and at latest report were respectively 2.5% and 2.9% above a year earlier. These increases are admittedly small in comparison with those that occurred in the postwar years up to 1952, when the delayed effect of wartime inflation and the subsequent pressures of demand associated with the war in Korea caused the consumer price index to rise by 52% and the wholesale price index by 82% in the space of six years. But the fact that in the past year or so prices have tended to climb, however gradually, in the absence of such special circumstances has given rise to concern in some quarters that this may be a recurring feature of the years ahead.

"After the almost uninterrupted rise in prices from 1945 through 1951, there were four years of respite in which the consumer price index remained virtually unchanged and the wholesale price index actually declined. This general stability in the over-all indices, however, masked widely divergent trends in the major components. In some sectors prices increased steadily; in others they declined; and in still others they fell and subsequently rose sharply. In an attempt to throw some light on these offsetting movements and on the trends in recent months, the accompanying supplement to this Review traces the monthly changes in the main subgroups of both indices since 1954."

Continuing, the "Business Review" says:

"It is true to say that prices of most commodities and services in Canada have tended to rise in the past year or so. The question remains: is this a trend that can be expected to last indefinitely?

Opinion Divided on Price Trend

"There is a large body of opinion to the effect that there may well be a long-term upward trend in prices. Those holding to this view look at recent developments not only in Canada but also elsewhere and more particularly at the longer-run implications of the acceptance by governments in many countries of responsibility for maintaining a high level of prosperity — this to be accomplished by stimulating, when necessary, both capital investment and consumer buying, and by supporting or even raising prices in some instances. Such policies have been pursued in the postwar period to date, and have unquestionably contributed to the widespread demand for capital and consumer goods and for the materials and labor required for their production.

"It is interesting to note in this connection that price increases in other industrial countries have been somewhat greater than those that have occurred in Canada, both in the last few years and in the postwar period as a whole. In point of fact this country, as a major supplier of some of the key industrial raw materials, and as a major importer of capital equipment, has been directly affected by the world-wide tendency for the prices of these products to rise. At the same time, however, the rapid expansion of the Canadian economy has involved a heavy demand for goods and services that has strained the productive capacity of the nation and resulted in inflationary pressures at home.

Some See No Built-In Inflation

"But while some observers believe there is a built-in tendency towards inflation throughout the world, others hold a contrary view. Admitting that there are influences at work today that were absent before, they nevertheless feel that fundamentally the present situation is little different from that of previous periods when demand for goods and services has outrun the supply available. The natural response to these conditions in the past has been for prices to rise and for production, stimulated by higher prices, to increase to meet not only existing but also anticipated demand. New mineral deposits have been developed, new plants have been built and old ones have been modernized with new equipment. The very process of expanding capacity has intensified the need for materials and labor and has contributed to higher prices and wage rates. But such observers point out that, as productive capacity has eventually overtaken demand, the upward pressure on prices has in time abated and a period of consolidation has ensued.

Conclusion

"Whether one or the other of these opposing points of view will be borne out by the course of events, or whether an intermediate path will be sought, and found, along which extreme price swings will be avoided, is a question that cannot be answered at the present time. The long-term movement of prices is but one aspect of the complex subject of the interaction of supply and demand and the forces of economic growth. While there is a greater awareness of these processes than there was a generation ago, knowledge of how they work is by no means complete, and until more is known there is a danger in drawing, and depending upon, any conclusions as to the long-run trend of prices from the tendencies of the past two years."

Australia Arranges Loans of $27,000,000

The Commonwealth of Australia has arranged for the borrowing of $17,770,000 to be evidenced by serial notes placed with institutional investors. At the same time, the Commonwealth has entered into a separate agreement with the International Bank for Reconstruction and Development providing for a loan of $9,230,000. Proceeds from these borrowings aggregating $27,000,000 will be used by the Commonwealth to provide part of the dollars for purchasing Boeing and Lockheed aircraft and parts for Qantas Empire Airways Ltd.

Morgan Stanley & Co. acted as agent for the Commonwealth. The new serial notes will bear interest at the rate of 4¾% annually and will mature semi-annually from December 1960 through June 1964 inclusive. The loan with the International Bank will also bear interest at the rate of 4¾% annually and will mature semi-annually from June 1964 through December 1966 inclusive.

Qantas Empire Airways Ltd., which is owned by the Commonwealth Government, is Australia's international airline. It operates passenger, freight and mail services over an extensive network of about 60,000 route miles, radiating from Australia to Europe and the United Kingdom, Hong Kong and Japan, the United States and Canada, South Africa and the South Pacific Islands. Qantas carries more than one-half of the airborne passenger traffic between Australia and the rest of the world.

The purpose of the new financing is to assist Qantas Airways in carrying out its re-equipment and expansion program from July 1956 to December 1959. The foreign exchange raised will be used to meet part of the payments on seven Boeing 707-138 jet aircraft, on four Lockheed Super-Constellations, and on various spare parts, accessories and other flight equipment being imported. These payments are to be made between now and the delivery of the last aircraft which is expected to be in 1959.

With F. I. Du Pont

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Hugh D. Purcell is now connected with Francis I. du Pont & Co., 723 East Green Street. He was formerly with Fewel & Co., and Shearson, Hammill & Co.

With McDaniel Lewis

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C. — Mrs. Page B. Gregor has become connected with McDaniel Lewis & Co., Jefferson Building.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, Fla. — Frederick H. Johnson and John Potfay, Jr. are now with King Merritt & Co., Inc., 24 Julia Street.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Muriel R. Landman and Gordon Mathis have been added to the staff of King Merritt & Co., Inc., Chamber of Commerce Building.

With Columbia Secs.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—John K. Coffroth, Jr., Frank W. Gionataiso and Sol H. Kalchman are now with Columbia Securities Company, Inc. of Florida, 3839 Biscayne Blvd.

Keeping on an Even Keel

By EDWIN J. SCHLESINGER

Investment Counsel, New York City

Mr. Schlesinger presents six conclusions for the Administration's scrutiny in the hopes they will help keep the economy from floundering, and the dollar sound.

In its endeavors to keep the country's economy on an even keel, regardless of pressure emanating from various points of the compass, and thereby maintaining the people's confidence in the soundess of the dollar, the Administration may care to weigh the feasibility of the following points:

Edwin J. Schlesinger

(1) As long as The Federal Reserve System remains an independent body, it should be permitted to increase interest rates with a minimum amount of criticism from members of the Administration. Present interest rates only appear high when measured in the light of the artificially low levels prevailing during the 1933-1952 period.

Inflation Is More Serious

(2) Inflation is more dangerous than deflation and all possible methods should be used to check and reduce it. Continued price advances constitute an explosive force.

(3) Sound money, together with a balanced budget and a reduction of the national debt, is a requisite for a healthy economy.

(4) If the national debt can not be substantially reduced during periods of prosperity, it is difficult to see how it can ever be adequately reduced.

Wants Real GNP

(5) Since the size of the Gross National Product depends to a large degree upon the purchasing power of the dollar, it can prove very misleading to the public to talk about its future growth without pointing this out.

(6) Organized labor should be made to realize that advancing wages without an adequate increase in the productivity per man can only result in further inflation.

Purchasing Agents' Short-Run Outlook

Continued cautiousness on forward buying commitments, and lowest lead time on production and MRO items for many months, is part of Purchasing Agents' latest survey which reveals general optimistic view is held for balance of 1956 and first quarter of 1957.

It appears to be too early to determine how either the recent elections or the Middle East situation will affect the optimism of purchasing executives, according to the composite opinion of purchasing agents who comprise the National Association of Purchasing Agents Business Survey Committee, whose chairman is Chester F. Ogden, Manager of Purchases, The Detroit Edison Company, Detroit, Michigan.

The Nov. 25 N. A. P. A. reports there are some spotty, troubled areas and localized evidence that some of the enthusiasm which has been present is lacking. However, in general, most are anticipating good to excellent conditions for the balance of 1956 and, at least, into the first quarter of 1957.

Production continues high and the 39% who say it is up are the largest number so reporting in over a year. The new-order situation is substantially unchanged. Thirty-six percent say it is better and 43% the same as last month.

Commodity prices are still on an upward trend, though less vigorously than reported in the preceding two months. Inventories are off slightly, though, apparently, not by intention. Employment is up a little, with slight drops in some industries more than offset by accelerated demands in others.

Purchasing executives continue their cautious attitude on forward commitments and the lead time on both production and MRO items is at the lowest point for many months. Higher prices and the general availability of most materials are probably the strongest contributors to the desire to buy as needed.

The special question this month asked if recent price increases have tended to rise above a reasonable relationship with wage and material cost increases. Purchasing executives pointed out that the question was difficult to answer categorically. In many instances, they believed that price increases had not been unduly large. However, there was strong feeling that, in certain industries, increases had been out of all proportion to increased costs. On an over-all basis, 66% stated that the increases were reasonable and 34% thought them to be too high.

Commodity Prices

The war scare, apparently, has had little effect pricewise. The leveling trend that started in October is continuing. This month, 57% of our reporting members say prices are higher, as compared to 67% in October and 84% in September. There is a strong feeling on the part of many that, in some instances, recent price increases cannot be justified on the basis of cost, but rather are the result of a policy of "getting all you can while the getting is good."

Inventories

Inventories of unworked materials eased downward during the past month. While a majority still report their inventories unchanged, there are about 10% who show a decline over last month. Users of special steel items, nickel and monel are finding it hard to keep stocks at balanced levels.

Employment

Some of the slight drop in employment mentioned last month is recovered this month, though not strongly. Two percent report employment better this month, with no change in the number reporting it to be the same. Employment in some of the building trades, particularly home construction, is off slightly due to tighter credit restrictions. The logging and lumber business also reports some decline, whereas heavy industry indicates maximum employment.

Buying Policy

Purchasing executives continue to be cautious in making forward commitments, as evidenced by the reported reduction on lead time in buying both production and MRO items.

On production items, there is a noticeable shift to the 30-day range by some of those who had previously been operating in the 60-day area.

Similarly, on MRO items, almost two-thirds are now buying in the hand-to-mouth and 30-day range.

There is little change in the reported buying policy on capital goods items.

Specific Commodity Changes

With the introduction of the new models, the automobile manufacturers also introduced some new prices — up over the 1956 prices.

On the upside are: Automobiles, abrasives, steel, steel scrap, tin, vegetable oils, fuel oils, paper, coal, rubber, burlap, electric motors, and cement.

On the down side are: Brass, copper, and wastepaper.

In short supply are: Nickel, steel (plates, structurals, pipe, tubing, shapes), monel, kraft paper, cellophane, and aluminum.

Railroad Securities

By GERALD D. McKEEVER

Four Much Discussed Borderline Income Bonds

Under market conditions such as the present there is a tendency to think of a shift into bonds generally as a defensive step. A shift to high grade bonds will accomplish this purpose, but usually at the sacrifice of both income and of the possibility of extensive capital gain, or of recovery, as the case may be. This is not a pleasant thought to the large proportion of stock investors who have chosen equities in the expectation of capital gain or of a high rate of return.

As a result many have turned to the consideration of the lower quality section of the bond market where prices also have declined, partly because of the effect of increasing yields on higher grade bonds with which there is some "spread" relationship, but mostly due to increasing yields on stocks with which they are more directly comparable as to quality and as to being subject to similar conditions affecting marginal earnings. Most of these lower grade bonds are selling at or close to historically low prices. Thus to look at previous high prices suggests an appreciation potential, but what should not be disregarded is that these lower grade bonds as suggested above, will move mostly in sympathy with the stock market, and the further down the quality ladder they are the more they will act like stocks pricewise.

The second point to be borne in mind is that there is not necessarily any magic in the name "bond." A bond or a debenture is senior to the stocks of the same concern and is thus of basically better quality than the particular equities. On the other hand, a "bond" that can boast of only a 25% margin of safety of earnings over its interest requirement, or even 50%, is essentially of lower quality than a common stock of a concern with stable earnings over a long period and which pays out only 50% or 60% of its earnings as dividends—viz., where the "margin of safety" may be up to 100%.

Many investors have turned to the high-yielding "borderline" type of rail income bond or are considering doing so. Some of those who have done so have become disturbed over the price action of these issues, wondering whether or not it portends a lapse of interest payment and still lower prices. A great deal of concern seems to have centered around the four "borderline" rail income bonds or debentures which will be discussed briefly in the following.

These four issues are easily paired off into two categories because of similarity between members of the pairs. In the first category are Missouri Pacific income debenture 5s of 2045, and Chicago, Milwaukee, St. Paul & Pacific income debenture 5s of 2055. Besides having the same nominal interest rate, these two issues have the points in common of being entirely unsecured, of being non-cumulative, and of being on the safe side, as far as can be seen at the moment, as to full payment of interest in 1957. As in the case of all rail income bonds issued pursuant to reorganization under Section 77, and this applies also to the two issues in the second category, interest is payable in any year to the extent it was earned in the preceding year after making provision for prior charges under the indenture which includes a capital fund and sinking funds on senior issues. Interest is payable once a year, on April 1, for the "MOP" 5s and semi-annually March and Sept. 15 on the "Milwaukee" 5s.

It is presently estimated that earnings for the year 1956 will cover the interest on Missouri Pacific income 5s and all prior charges about 1.15 times and that the over-all coverage of interest on the "Milwaukee" income 5s will be about 1.60 times on the same basis. Both roads indicated sufficient current financial strength as last reported to make 1957 payments feasible, but the "Milwaukee," with cash and net current assets as of last August of over 2½ times its bond service requirement, was much the stronger in this regard also. It may, therefore, appear strange that the "MOP" 5s, at 57½, sell about 1½ points higher than the "Milwaukee" 5s, and especially since there is a sinking fund provision for the latter, but none for the "MOP" 5s.

For the first nine months this year the "Milwaukee" covered its over-all charges 1.29 times as against 1.15 times for the "MOP." Thus the "Milwaukee" will have to do exceptionally well in the final months of this year in order to justify the estimate of 1.60 times. Nevertheless, official estimates place 1956 earnings of the "Milwaukee" close to those of last year when the present over-all charges would have been earned 1.72 times, but with the assist last year of a $2.6 million non-recurring addition to earnings represented by the interest on the Federal income tax refund finally cleared last year.

Paired in the second category are Chicago North Western general income 4½s of 1999, and New York, New Haven & Hartford income 4½s of 2022. In addition to having the same nominal interest rate, these two issues have the points in common of being secured by junior liens subject to only one prior mortgage, of their interest being cumulative to the extent of 13½% (three years), of having sinking fund provisions in both cases, and, finally, of being in the doubtful class as to 1957 interest payments — that is, full payment on the New Haven 4½s and any payment at all on the North Western 4½s. There is, as a matter of fact rather than of importance, a third feature in common. This is that both are convertible, the North Western 4½s into 15 shares of common per $1,000 bond and the New Haven 4½s into 10 shares of 5% preferred. This, however, is scarcely a matter of present interest.

For the first nine months of this year the North Western reported a deficit of $2,638,000 before meeting its fixed charges and $5,892,000 thereafter, or before "funds" or contingent interest. Giving due consideration to the seasonal bulge in the road's earnings in the final months of the year, it is nevertheless estimated that the road will have no earnings available for payment of contingent interest on the income 4½s next April 1 after providing for prior charges and "funds." As a matter of fact, it now appears that the road may be some $250,000 short of meeting contingent interest.

While the prospects for the New Haven 4½s are less frightening it appears at present that less than half of the full year's interest will be covered by 1956 earnings. For the first nine months of this year the New Haven earned only 80% of its over-all charges as against over-all coverage of 2.21 times in the corresponding 1955 period during which maintenance had been cut to 25.4% of gross revenues as against the 27.9% rate charged in the first nine months of the present year. Allowing for some seasonal growth in the final quarter it is nevertheless estimated that 1956 earnings will amount to only about 2% available for the road's $67½ million income 4½s.

In the case of this issue, however, it is provided that interest may be paid at the discretion of the board of directors whether it is earned or not. Whether such discretion will be stretched to the point of paying full 4½% interest next May 1 is the moot question in view of the road's narrowly restricted current finances. While a great deal of relief was gained from the $6 million supplementary flood disaster loan of last September, the road's working capital nevertheless showed a $319,000 deficit as of Sept. 30.

Frank Bateman Adds

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla. — Guy R. Hopper, Irving H. Hare and Thomas A. Sperry have joined the staff of Frank B. Bateman, 243 South County Road.

Henry Kutner Co. Formed

(Special to THE FINANCIAL CHRONICLE)

GLENDALE, Cal.—Henry Kutner is engaging in a securities business from offices at 3431 Sierra Vista Avenue under the firm name of Henry Kutner & Co. He was formerly with California Investors.

Edward T. Cronin Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William N. McKean is now with Edward T. Cronin Company, 548 South Spring St.

Joins FIF Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Paul T. Bannai has joined the staff of FIF Management Corporation, 3325 Wilshire Boulevard.

Joins Goldman, Sachs

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John L. Schlipper has become connected with Goldman, Sachs & Co., 208 South La Salle Street. He was formerly with Glore, Forgan & Co.

With Mid-Continent

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — William L. Dowling and James E. Quinn Jr. have become affiliated with Mutual Fund Distributors, Inc., 405 Olive Street.

Securities Salesman's Corner

By JOHN DUTTON

Control Your Accounts

The title of this week's piece sounds arbitrary I'll admit, but I believe it is vital to your clients' success as an investor, as well as to you as their advisor, well as to you as their advisory, that certain fundamental policies should be established between the securities salesman and his customer. Unless you have an understanding of objectives, and what each security is designed to accomplish in your customer's program, and how you should work together, you are going to pull and haul against each other. Someone said, "A marriage consists of a tug of war trying to go in the right direction." A successful relationship between a salesman of securities and his customer depends upon an understanding of where the customer is trying to move investmentwise, and the cooperation of the salesman in helping him get there. But there is this difference between a marriage and a customer-salesman relationship. In the latter case the salesman must lead, he must direct, he must offer suggestions, and he must have cooperation in many ways. When it comes to a marriage we know who is boss but even a marriage works better when fortified with understanding and mutual cooperative effort.

Timing

When it comes to long-range investment objectives, timing is not always something that must be accomplished in a matter of hours or days; but sometimes it is helpful to be able to obtain **action** when the circumstances warrant. There are attractive new issues that come along and a salesman can help a customer obtain a participation at the best available offering price rather than paying more for it in the secondary market. There are arbitrarges that can only be worked out favorably in a matter of hours, and sometimes minutes, and action will put extra profits into an account if a salesman can obtain the cooperation of a customer and act in his behalf. Procrastination, days of inaction, so-called "I'll look it over" reactions from the client, are often only excuses for procrastination. Even though these situations which require immediate action are not concerned with long-term objectives at the moment, they often can benefit a client on both a short- and long-term basis and there are times when a good client should say, "If it looks O.K. to you, it fits our objectives, I'll bet that you are right so go ahead; ACT!" Those are the accounts a top-flight investment man will work for and strive to help in every possible way because he has flexibility, freedom, and the go-ahead signal he needs to take advantage of opportunities. Investment success to a certain extent is based upon the ability to move and act in a positive manner when decisive action is required.

A Customer Should Help A Salesman

In almost every office there is a salesman who has trouble collecting balances due from clients. His checks come in late, letters have to be written asking for extensions, and delays are common as to delivery of securities which have been sold for, or bought from his customers. This is particularly the case in cash accounts, and among some non-member firms which do a general unlisted business.

Here again it is a problem of customer education. The man who caters and cow-tows to customers in these matters has difficulty holding his accounts and directing his business along sound lines. It is a simple matter to explain to people that there is a four-day settlement date and that payments and deliveries should be attended to on the day they receive the confirmation. The four-day period is ample time for the mails to be sent to a client and for his reply. If there is going to be a delay or if a client expects to go out of town for a few days, he should arrange his payment or delivery before he leaves. All a salesman should do is impress his customer with the fact that these rules are for his and everyybody's protection. This is the way the investment business is conducted from coast to coast and that he must cooperate if he expects to invest in securities. I don't mean to be tough about this, but just be frank with a customer. If you apologetically ask a customer to make his settlement on the designated date; or if he is late, you take the attitude that you'll appreciate it if he'll please get around to mailing you a check in the next few days, then you will never bill a client. He'll run the show. Don't waste your time collecting slow accounts, don't tie up your busy cashier with unnecessary detail work, but help your customer to get better service by showing him that you are too busy for this sort of thing. If he wants to invest in securities then HE MUST FOLLOW THE RULES —he will too!

Emotional Jitters

Many people see their stocks from a day-to-day basis. They live in a dream world of ups and downs. The market is up, mentally they are dollars richer; it's down, they are just that much poorer. Back in every man's subconscious are certain insecurities that dominate much of our active lives. We fear this, that, and the other, and when we try to think straight about our own problems we often get mixed up in our emotional subconscious and instead of acting intellectually we act emotionally.

I was told by a friend the other evening that when he attended some lectures given at a certain university on the subject of investment procedure, practically the entire class was composed of people in the investment business. One very eminent lecturer told the class, "When I try to make my own decisions I am often unsure of myself pertaining to my own account. I can help others much more successfully than I can invest for myself. That is why even the best surgeons call in another man when they are asked to perform a delicate operation on a member of their own family who is very close to them."

When you realize this basic frailty in most of us you can be an understanding confidant of your better clients when it comes to the matter of making important investment decisions. Here again educate. I noticed a stock the other day when it made a new high of 18. Suddenly, in the matter of days, it had moved from 14 to 18. Good buying finally came in. But those who watched it move from 14 to 18 in a few days and who said, "I wish I had it," did not know some of the background. Five years ago when I was talking with a good friend of mine in his New York office he showed me a report he had obtained pertaining to this company. The stock was then selling at 10. A good investment firm in Boston had sent one of their partners thirteen hundred miles to research this company thoroughly. After a week spent in every conceivable type of conference and investigation he made a recommendation that the stock was an excellent long-pull investment for capital gain. While the general market continued its long upward climb during the past five years this stock fluctuated between 8 and 12 and paid limited dividends to shareholders. Many of the stockholders who bought it sold out. They got tired waiting, they lost confidence in the company's future.

But if they had read the annual reports carefully they would have obtained a more accurate appraisal of what was going on. Earnings were plowed back, large depletion and depreciation reserves were established, improvements of a far-reaching nature were being accomplished, management had a plan and a purpose; and sometimes long-range results are a matter of years, three years, five, or even ten years. Now after five years the payoff is beginning.

Surely it is pleasant to buy at 14 and see a stock soon afterward sell at 18, but how many of us can time it to the minute? This is a matter of fate and fortune. But if a security is a **value**, if it represents ownership in a company that has a future ahead of it that is spelled with a capital F, and there is management know-how and determination that will move heaven and earth to make it all come true, then you can stay with a good stock even though temporary market action is not favorable and there are other stocks that have performed better temporarily. Patience is the best investment any man can make if he backs it up with value, quality and a sound investment well bought and carefully watched. I don't mean watching selling pressure and buying power alone (although it shouldn't be ignored). I refer to long pull future. The stock which is now selling at 18 actually sold at 2 only a few years before the analysis to which I have referred was made.

I have seen a lot of ups and downs in the past 30 years, and so have the readers of this column who have followed investment securities for longer or shorter periods than this, but there is one thing upon which I think we can agree. Buy value, book, management, opportunity, product, ample capital, banking sponsorship, future earnings, and stay with your good horses until the race is run, or until you are certain you can pick a better jockey or horse, or both. And don't worry too much if a few of your entries don't come in first, second or third; just make certain that you don't have to take any of them out and shoot them because they have become too old to run the rest of the race. **Tell this to your customers.**

There is a lot more to selling securities than being able to read a balance sheet and an income account—but it helps—so does a good understanding of the foregoing relationships **between you and the people you are trying to help live better by investing better.**

Chicago Analysts to Hear

CHICAGO, Ill.—At the luncheon meeting of the Investment Analysts Society of Chicago to be held November 29th in the Adams Room of the Midland Hotel, Milton L. Shelby, President of Safeway Stores, Inc. will be the speaker.

Joins Boren & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Ernest F. Bryant has joined the staff of Boren & Co., 9640 Santa Monica Boulevard.

Continued from page 3

Petroleum Industry's Prospects In the Western Hemisphere

has already increased its December allowable by more than 100,000 b/d, about a 15% increase over the November allowable of 735,000 b/d. Texas has increased its December allowable by 75,500 b/d over the November allowable of 3,400,000 b/d. Percentagewise this is still extremely small but we should see further increases in allowables in Louisiana and Texas in the next three or four months. People in the petroleum industry believe the Gulf Coast area can supply the export market with about 500,000 b/d. This should be primarily beneficial to companies with a large amount of production in this area, particularly in coastal Louisiana which will provide most of the Louisiana increase.

Crude Oil Price Remains Steady

Even though the crude oil supply situation is tightening and will tighten further, no general increase in the posted price of crude oil is anticipated in the foreseeable future. We have ample inventories at the moment and producing capacity to meet all likely demand for this product. Gasoline inventories are considered too large to permit passing on the higher raw material cost to the consumer. If refiners believe they will be forced to absorb the higher cost, it is not likely that they will increase the price of crude. In the petroleum industry it is the crude oil buyer who establishes the price rather than the seller. Therefore until the refiner sees stronger gasoline prices he is unlikely to consider raising the price of crude. Nevertheless, spot increases in crude oil prices have occurred in the past week or so. In California some low gravity crude oil has been increased by 40c per barrel and in Venezuela crude oil has been raised from 5 to 15c per barrel for some low grades.

Brightened Outlook for Refiners

Nevertheless, the outlook for refiners has brightened recently. Two increases have occurred in fuel oil in the past two weeks on the Gulf Coast. The new price of about $2.55 per barrel is up as much as $0.50 per barrel over a few weeks ago and results from substantial European buying. Gasoline continues weak in many areas but appears to be stabilizing at current prices. Price wars still prevail in certain areas and will probably continue so. However, gasoline prices are not likely to increase for some time. On the other hand gasoline will not in all probability weaken further which is certainly a favorable sign. The next price move however is likely to be upward, but this is not anticipated before the big gasoline consuming period begins next spring.

Looking to Europe now, crude oil supplied to that area came roughly 1,500,000 b/d from the Middle East, 500,000 b/d from South America, and about 100,000 b/d from the United States. As we all know from reading the papers, one of the pipe lines across the Middle East has been sabotaged which knocks out about 500,000 b/d. The Suez Canal moving 1,500,000 b/d is also out for at least six months and perhaps partly out for as much as a year.

Europe Can Overcome Oil Shortage

Of the 1,500,000 b/d formerly moving through the Suez Canal, about 300,000 b/d were destined for North America. Tankers on this haul can be diverted to the European market indicating the likelihood that Europe can still receive about 1,000,000 b/d by the long haul around Africa plus 350,000 b/d still moving by pipe line across the Middle East from Saudi Arabia. Thus, it seems that Europe will lose for the short-term at least 800,000 b/d from the Middle East (500,000 b/d from the sabotaged pipe line and 300,000 b/d from the longer haul around Africa). The Western Hemisphere would seem to lose only the 300,000 b/d now imported from the Middle East and possibly another 100,000 b/d imported on the West Coast from Asia.

Ample supplies appear available to supply Europe from the Western Hemisphere. For example, Venezuela which is now producing 2,500,000 b/d can probably expand production by 300,000-400,000 b/d rather easily with an additional gain coming a year more from now from development of new concessions granted last summer. Canada is now producing 500,000 b/d and can probably add another 300,000-400,000 b/d although transportation may create a problem. The United States is now producing about 7,000,000 b/d and can expand production accessible to the Gulf Coast by pipe line and tank car approximately 500,000 b/d. It is likely that Europe will look more and more to the Western Hemisphere to supply its crude oil needs because the haul is shorter from the Middle East than around Africa. The distance across the Atlantic is about 5,000 miles compared with 11,400 miles around Africa. Certain shifts in movement of crude oil may begin before the end of the year and will become more evident in early 1957. As an example, the Gulf Coast may be required to supply ultimately 300,000 b/d to East Coast refiners to offset a similar amount of oil previously imported from the Middle East. Another 50,000 b/d may be moved from the Gulf Coast to Canada supplanting Venezuelan oil destined instead for Europe. West Coast imports may be met by Canadian oil coming through the Trans Mountain Pipe Line. At the moment this line is moving about 150,000 b/d which will be increased to 200,000 b/d by the middle of 1957.

Western Oil Producers' Prospects

Based on these forecasts it becomes apparent that Western Hemisphere crude oil producers possess the best immediate prospects. If refined product prices have now passed their lows as seems likely in fuel oil, heating oil and possibly gasoline in 1957, outlook for integrated companies is much brighter. Production earnings for the next six months certainly will be higher than a year ago and refinery earnings will probably be no lower and possibly higher than a year ago. Therefore, whereas we had earlier estimated the 1957 earnings for the domestic industry might decline by 5-10%, it is now possible to see a gain of this amount on top of the record high earnings to be reported for 1956. Earnings of the international part of their earnings come from dividends earned in the Middle East. What the earnings from the Middle East will be for 1957 is impossible to say, as is the size of dividends to be paid from these earnings.

We believe this is likely to center interest upon the straight domestic producers in this country, the domestic integrated companies with substantial shut-in crude production, Latin American producers which may export oil to Europe and to the United States, and Canadian producers which should supply more of Canada's needs this coming year than the 55% now satisfied.

As a word of caution it might be noted that should the Suez Canal and Iraq pipe line return to full and uninterrupted service in the next six months, the current attraction of these various groups would decline and the attraction of the international companies would become more evident. However, at the moment this prospect seems unlikely.

Among the good grade companies favored in these various categories are the following:

(1) **Domestic Integrated** — Humble, Sinclair and Standard of Indiana.

(2) **Domestic Producers** — Amerada, Honolulu, Louisiana Land and Seaboard.

(3) **Latin America** — Strangely enough representation may be best obtained through companies such as Gulf, Royal Dutch and Standard Oil of New Jersey which may in fact gain more earnings from this area plus larger production and refinery earnings in the United States than will be lost in the Middle East.

(4) **Canada** — British American, Imperial Oil and Home Oil.

Impact of Suez Crisis on the London Stock Exchange

By PAUL EINZIG

Noted British Economist avers weakness on the Stock Exchange need not give rise to fears of repercussions on the economy, despite relationship of declining equities to discouraging Suez settlement news. Dr. Einzig shows how the government is endeavoring to steer a middle course between the demands of the "Suez group" and those of Mr. Hammarskjold, and points out that the crisis has had the salutary effect of accentuating the credit squeeze and causing firmer resistance to new wage demands.

Paul Einzig

LONDON, Eng. — Throughout November the London Stock Exchange was very much under the influence of the ups and downs of the Suez crisis. There were more downs than ups, but the Stock Exchange was more than willing to respond to such hopeful news or views that emerged from time to time. The extent to which the Stock Exchange has become sensitive to the political and military factors of the Middle East is illustrated by the fact that the "Financial Times," which in the past took no interest in such matters, has adopted the practice of publishing a summary of politico-military news in the first column of its front page. This new practice implies that more importance is attached on the Stock Exchange to political and military news in existing circumstances than to even the weghtiest economic information.

Although the section of the Stock Exchange that is primarily affected is the market in oil shares, hardly any other section has escaped the depressing influence of the tension. The downward course of quotations cannot be explained on the ground of war fears. After all, in existing conditions nuclear war means extermination, in which case it makes very little difference whether one holds equities, government bonds or liquid cash. On the other hand, in case of a non-nuclear war, there is certain to be advanced inflation, in which case it is preferable to hold equities rather than bank balances.

Government Walks a Tight Rope

The declining trend is explained in part by fears of repercussions of the international crisis on the domestic political situation. Government supporters are sharply divided according to whether they favor a refusal to evacuate Port Said or whether they want to comply with the United Nations ruling. The so-called "Suez group" of Members of Parliament is no longer just a handful of Right Wing Tories. It is now sufficiently numerous to bring down the government if the solution accepted should meet with its strong disapproval.

The government is endeavoring to steer a middle course between the demands of the Suez Group and those of Mr. Hammarskjold. This feat of tight rope walking may or may not be successful during the coming critical weeks. It is fraught with dangers of a Cabinet crisis which may conceivably necessitate a general election, the result of which would be incalculable. The mere possibility of the return of a Socialist Government sends cold shivers down the spine of businessmen and investors. No wonder that each time a new complication arises on the international horizon it has its repercussions on the Stock Exchange. Even though the government has succeeded so far in avoiding a split in the party—thanks largely to the Opposition attacks, which have reunited the Tories — the outlook remains uncertain.

In addition, economic prospects are closely linked with prospects of reopening of the Suez Canal. The announcement of petrol rationing and of cuts in oil supplies provided a forceful reminder of the extent to which Britain's economy depends on the use of that waterway. Early estimates for the time required for clearing the Canal had to be repeatedly reconsidered in the light of the realization of the full extent of the damage. Moreover, President Nasser realizes that he holds this valuable trump card and is determined to prevent the United Nations from making a start with the clearance of the Canal unless and until all foreign troops have left Egyptian soil. It is feared in many quarters that his definition "foreign troops" includes also the troops of the United Nations.

Tendency of Stock Exchange

It would be unduly optimistic to expect the Canal to be restored to normal traffic in the very near future. It is feared that industrial production in Britain will be affected by oil shortage even though its extent may be mitigated by an increased import of dollar oil.

In such circumstances it is no wonder that each time the news about the Middle East crisis is unfavorable the anticipation of a prolonged blockage of the Canal should result in a weak tendency of the Stock Exchange. The longer President Nasser prevents the clearing of the Canal, the more British industries are exposed to the paralyzing effect of an oil shortage. At the present stage it is difficult to foresee how individual firms or even individual industries are liable to be affected. For this reason all equities tend to decline whenever the prospects of an early settlement appear to weaken.

The weakness of the Stock Exchange need not give rise to fears of repercussions on the economy. It is true, one firm of stockbrokers failed to meet its engagements toward the middle of November. It is considered unlikely, however, that many more such weak positions would be revealed even if the downward trend should become accentuated. The extent to which security holdings are financed with the aid of borrowed money has become materially reduced in the course of the prolonged credit squeeze.

Examines Salutary Effects

Quite possibly the credit squeeze itself may become accentuated as a result of the decline on the Stock Exchange, because banks will be insisting on repayment of credits granted to industrial firms against bonds or equities. To that extent the decline on the Stock Exchange might have a salutary effect in that it would compel industries to resist firmly the new wave of wages demands.

In face of the evidence of capital depreciations through falls in Stock Exchange values, the psychological reason for excessive wages demands will become distinctly weaker. Moreover, even critics of the trade units must admit that since the beginning of the Suez crisis, they have behaved in an exemplary fashion in sharp contrast to the political side of the Labor movement, which has endeavored to exploit the crisis for the benefit of its Party-political ends. There have been virtually no strikes, and even though the machinery through which wages claims are handled is taking its normal course, it is widely expected that, having regard to the political and economic difficulties, the claims will not be pressed too rigidly.

From this point of view at any rate the crisis has been, and is likely to be, beneficial to some extent. Indeed it is possible that, had it not been for the crisis, industrial equities would have declined to an extent comparable to their actual decline as a result of the paralyzing effect of large strikes. Those strikes, or some of them, may yet materialize, but at the moment they appear to be much less menacing than they did two months ago.

Name Daniel, Frazier To NASD Committee

SEATTLE, Wash. — Announcement has been made of the election of two new members of District Committee No. 1 (Idaho, Oregon, Washington) of the National Association of Securities Dealers. Robert E. Daniel, Executive Vice-President, Pacific Northwest Co., Seattle, has been elected to succeed Al Hughbanks, Hughbanks, Inc., Seattle; and Conrad O. Frazier, partner, Reid, McDowell & Frazier, Spokane, has been elected to succeed William A. Nielsen, Merrill Lynch, Pierce, Fenner & Beane, Spokane.

Robert E. Daniel Conrad O. Frazier

Mr. Daniel has been with the Pacific Northwest organization for 25 years. He entered the securities business in 1929 with Blyth & Co., Inc., in Seattle. He joined Drumheller, Ehrlichman & White, predecessor company of Pacific Northwest, in 1931.

Mr. Frazier, a graduate of the University of Idaho, served six years in the U. S. Air Force before joining Murphey-Favre, Inc., Spokane, as a salesman in 1947. He became a partner in Reid, McDowell & Frazier in 1949.

Bosse With Glore, Forgan

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William K. Bosse has become associated with Glore, Forgan & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Bosse was formerly manager of the statistical department for Loewi & Co. and prior thereto for Mason, Moran & Co.

Throop M. Wilder

Throop Martin Wilder, associated with Stillman, Maynard & Co., passed away November 20th at the age of 72. Mr. Wilder in the past had been a partner in Farr & Co.

Capital Outlays Lower in Third Quarter

Drop below two previous quarters in 1956 and 8% lower than year-ago totals is revealed in National Industrial Conference Board quarterly survey published in "Newsweek." Three versions of this dip are offered of this "sector that bears close watching."

"The nation's leading manufacturers appropriated less money for capital spending during the third quarter than they had in each of the two previous quarters of 19566," according to the second quarterly economic survey prepared by the National Industrial Conference Board under the sponsorship of "Newsweek" magazine. This survey, as reported in the magazine's Dec. 3 issue, also reveals that "the approval, amounting to $2.6 billion for the country's top 1,000 manufacturing companies, also fell short of year-ago totals by 8%." The "Newsweek" Quarterly Survey measures appropriations rather than actual spending. Thus, the third-quarter study may well foreshadow a leveling-off or perhaps a decline in outlays—and a parallel downward pressure on the entire economy—six or nine months hence.

Six Exceptions

"With six exceptions, the list of 15 industry groups surveyed was down anywhere from 15% (for stone, clay, and glass products) to 68% (for transportation equipment) from the third quarter of last year. The exceptions: Electrical machinery and equipment, up 28%; non-electrical machinery, up 12%; chemicals, up a whopping 168%; miscellaneous durable goods (lumber, furniture and fixtures, ordnance), up 33%; miscellaneous nondurables (tobacco, leather, printing, and publishing), up 83%; and oil and coal products unchanged. In addition, while the transportation equipment field was down, non-automotive sectors of that industry, such as aircraft and railroad equipment manufacturers, were up. The auto outlay dip is probably explained by the fact that automakers haven't enjoyed the same super-boom this year as they had in 1955.

"Somewhat disturbing, too, was the fact that cancellations of already approved appropriations rose slightly during the third quarter to $137 million, from $108 million in the second quarter and $101 million in January-March. While that figure is minute compared with the $2.6 billion in new approvals, it is a sector that bears close watching," Newsweek says.

Three Explanations

Two diametrically opposed views of the decline are offered by "Newsweek":

"(1) That it is the start of a genuine slide in capital spending. . . . Some industries may have reached their goals, temporarily, at least, and decided to pause for a cautious look around. . . .

"(2) That the decline was seasonal. A dip might reasonably be expected during the July-October period. . . . But it didn't show up last year because the economy was in the greatest capacity upswing in history, completely offsetting any seasonal factors. . . . The fact that some companies appropriate expansion funds for the entire year during the first or last quarters lends support to the seasonal argument. . . .

"There's still a third possible interpretation"; according to the publication. "That the third-quarter decline was neither cyclical nor seasonal, but was due to unusual economic developments during the period. Money has been growing steadily tighter and more expensive during the past two years. . . . The steel strike probably played a role, too. . . . Finally, there was the Presidential election. . . . Some companies may have sat on appropriations plans until they were certain which way winds from Washington were blowing.

Special Significance

"The dip in third-quarter appropriations takes on special meaning in the light of widespread predictions that the economy as a whole will edge up slightly during the first half of next year and then either level off or dip a bit. Some of the money appropriated by the nation's leading corporations from July through October undoubtedly is scheduled to be spent during the second half."

Los Angeles Bond Club To Hear McFarland

LOS ANGELES, Calif.—Dr. Kenneth McFarland, Educational Consultant of General Motors Corporation, will address members and guests of The Bond Club of Los Angeles at a luncheon meeting on Thursday, Nov. 29th, at the Biltmore Hotel.

A nationally known educator, Dr. McFarland will speak on the topic, "Ropes of Gold."

Join Bache Staff

Bache & Co., members of the New York Stock Exchange and other leading exchanges, have announced that Margaret C. Renier has joined their uptown branch office, located at 724 Fifth Avenue as a registered representative.

The firm has also announced the appointment of the following registered representatives in its out-of-town branches: Richard F. Fitton, Boston; Robert C. Moore, Miami; Stephen S. Huber, Scranton; Joseph H. Rivenson, Rochester and James Long, Wilkes-Barre.

Joins Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Benjamin H. Hallowell has become associated with Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges. Mr. Hallowell was formerly for many years with Goldman, Sachs & Co.

Continued from first page

Trends and Prospects in Liquor and Wine Industries

is harmful physically and responsible for numerous social problems.

This attack on liquor is not new, of course, but it has been brought up to date by the adoption of a pseudo-scientific approach, answerable by the facts of scientists, in place of the old moralistic one.

As a means of countering the new Dry "scientific" propaganda with the truth, LBI in recent months, has been giving a great deal of attention to the job of seeking out and classifying a vast body of medical and scientific information about alcohol and its actual effect upon the human organism.

The net result to date can be stated very simply. The moderate use of beverages containing alcohol is beneficial to the normal adult and has been so recognized throughout history. Among other things, it alleviates the tensions that can lead to various sorts of mental, nervous and physical ailments; it dilates the blood vessels, thus easing the flow of blood through the body and relieving strain on the heart; and it may even tend to prolong life.

On the other hand unbiased scientists have revealed that the moderate use of alcohol in beverage form does not cause any ailments of any sort. Dry-claims that it does are based not on scientific fact, but on prejudice and emotionalism.

Today, the sensible, moderate approach to the use of alcohol in beverage form is being made by leading physicians and other scientists, and also by outstanding churchmen and others whose opinions command respect.

In a well known book published this year, "Live Longer—and Enjoy It!" Dr. Peter J. Steincrohn details some of the medical benefits of moderate amounts of alcohol to a person's general health. He points out that such moderate amounts act as an appetizer and stomachic, provide a new lease on life for the elderly, help in some heart and high blood pressure conditions, and fight tension.

This physician clearly states that moderate drinking eases fatigue and brightens a person's outlook. He adds that "hundreds of patients" have told him how much a daily drink "has added to the fullness and enjoyment of their lives."

Another recent book, "Beyond Anxiety," by Rev. James A. Pike, Dean of the Cathedral of St. John the Divine in New York City, makes several statements favorable to the moderate use of beverage alcohol. Calling the cocktail hour "a time of real renewal," Dean Pike speaks of it as inspiring the imagination and clearing the vision. A cocktail before dinner, according to this eminent clergyman, puts a new face on things, and helps one face evening tasks with freshness.

LBI's mission has always been to bring before the public the facts about the industry and its products. It therefore welcomes the opportunity to call public attention to scientific facts and authoritative opinions concerning the benefits of the moderate use of alcohol in beverage form.

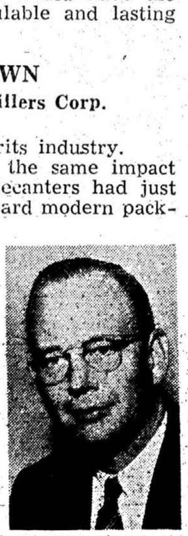
It is our belief that our campaign to give wide circulation to the fact that moderate use of the industry's products is beneficial and invigorating — rather than harmful and degrading, as the Drys would have the public believe — will be of incalculable and lasting benefit to the entire industry.

GEO. GARVIN BROWN

President, Brown-Forman Distillers Corp. Louisville, Ky.

Color has come to the distilled spirits industry.

And we fully expect it will have the same impact that modern packaging and lovely decanters had just a few years ago. It was the trend toward modern packaging, a trend, incidentally, in which our Raymond Loewy-designed Old Forester decanter played much more than a minor role, that opened new vistas in marketing for our industry.



Geo. Garvin Brown

Today, whiskey is a widely accepted gift item, the distilled spirits industry has a goodly share of the $2 billion per year corporate gift business, and we're reaching more new consumers through this gift-business approach than ever before.

This year, in an experiment, we again took a revolutionary course and introduced our Early Times Coloramic Decor Decanter, truly a sharp departure from whiskey packaging practices of the past. It's too early still to really assess the full impact of this type of packaging on the market. However, preliminary reports indicate that our limited production of this item will be completely gone from the dealer's shelves long before Christmas, proof without a doubt that beautiful colors in whiskey packaging is a desirable thing.

The role of the distilled spirits industry in the lucrative Christmas gift field is not a temporary development —I think it's clear that each year, as we in the industry produce more imaginatively beautiful gift items, we will take more and more of a share of this market.

A study of the sales of premium bottled-in-bond whiskies shows that 26.9% of total sales are in the month of December, and that 45% of the year's sales are in the last quarter.

Premium bottled-in-bond whiskies, obviously, are the favorite gift items, since they are traditionally the prestige whiskies. Also, this class of whiskey fits better with the concept of a proper corporate gift — which today averages between $5 and $10 per gift, as compared to the average cost of $2 to $3 per gift not too many years ago.

The distiller's role in the gift business is not without its problems, however. Take our own experiences this year, for a good example.

We retain the Raymond Loewy organization to design our packaging, which is, of course, an added expense. And so is the production of the lovely decanter he came up with this year.

The monkey-wrench in the works, however, came with labor trouble in the glass industry; a strike which delayed delivery of our bottle molds for some weeks.

The result; our six-month fiscal statement (as of Oct. 31, 1956) will reflect a small earnings drop, compared to our fiscal situation last year at this time, because we have been unable to fill our orders before Oct. 31.

However, we do have more than enough orders presently on hand to more than offset this temporary drop, and with the glass situation cleared up, we will be in better shape than ever at the end of the year.

There are also other problems facing the distilled spirits industry, both at gift-giving time and throughout the rest of the year. The most serious, of course, is the inequitable tax situation our industry faces. The consumer is now paying a tax that equals roughly 55% of the retail cost of the average bottle of whiskey; a tax burden not equalled by any other industry in the nation.

Federal taxes on distilled spirits are $10.50 a gallon. This causes problems in several areas; for one thing, of course, it tends to price our products at a competitive disadvantage with out comparable gift items just on the tax burden alone.

Of even greater seriousness is the result this exorbitant tax is having on the production of illegal "moonshine"; by the government's own estimates, about 25% of the distilled spirits consumed in this country is "moonshine!"

It seems obvious that the tax structure has well passed the point of diminishing returns. Lowering the tax to a reasonable rate would sharply cut into the moonshine traffic, result in an increased sale of the legal product, and I'm convinced more than make up the tax difference for the government.

MAURICE J. COOPER

President, Charles Jacquin et Cie, Inc., Philadelphia, Pa.

Time, education, and an improved social level, are the factors contributing to the strong position today of cordial and liqueur houses.

For years, we have had to contend with the limited consumption of the knowing few, who enjoyed a cordial or a brandy after dinner, for the bulk of our business. But, little by little, the American public experimented, so to speak. Mixed cordial and brandy drinks began to appear more frequently at parties and social affairs, and what was formerly an after dinner drink, is now a part of social grace at luncheons, cocktail hours, and late evening entertainment. Mixed drinks, on the rocks, tall coolers, in which a cordial or brandy is a principal ingredient, have broadened our enjoyment of these fine spirits.

Maurice J. Cooper

In line with this experimenting, we have also learned to accept more liberally cordials and brandies of foreign derivation. The anisettes and kummels are more popular and expanding the base of operations for leading cordial and brandy houses throughout America.

Fruit flavored brandies—blackberry, peach, and apricot—are big sellers today. Creme de Menthe and Creme de Cacao are being used widely as mixers. Even such standbys as Rock & Rye, and Sloe Gin — are moving ahead. Ginger Brandy, which was always popular, has been spurting in sales each year. We know, because Jacquin's Ginger Brandy is the largest selling product of its kind in the country and increasing its sales curve each period.

However, the biggest thing that's happened to us is Vodka. Because it adds a real volume product to our line. Not a flash in the pan, but a product destined to remain one of our most profitable staples. Particularly heartening is the fact that Vodka is a promotion of the rectifiers of the nation rather than the big distillers. This is truly one "baby" we can call our own.

In the many years of my association with the allied liquor field, nothing has struck me so forcibly as the unprecedented acceptance of Vodka on the American scene. Its rise in popularity has been phenomenal.

Vodka is no longer merely the choice of a sophisticated few, the continental drink, so to speak, for the connoisseur. It is, indeed, now a basic need for every well maintained at-home bar, as well as a "must" for every successful tavern and restaurant.

At one time we would look with curiosity at the bottle of Vodka on a bar. Today, it is one of the most frequently used bottles on the shelf.

The trend is evidenced by the fact that Americans consumed more than six million gallons of Vodka last year, representing a 90.5% increase over 1954. In six short years on the American scene, Vodka sales already exceed the sale of rum.

We, at Jacquin's, have felt this overwhelming demand. Our sales have soared and today Jacquin's Vodka is the number one seller in Pennsylvania.

Vodka couldn't help but become a popular drink. The reason is its versatility. It remains unique because of its filtered grain neutral spirits. This neutrality lends itself to smooth mixing with every type of fruit juice including such everyday standards as orange and tomato juice.

It is this variety that makes Vodka so wonderful to promote. When you have a score of uses to offer the public, and as many variations, plus the ease of mixing, you have a tremendous opportunity for different advertising approaches. The public becomes interested and receptive. The advertising copy is informative. The public enjoys reading about the many ways to serve Vodka, and more of them respond each day as customers . . . particularly women. This latter phase naturally opens up a new avenue of revenue.

The new trend in accepting interesting drinks and the new popularity they are enjoying as part of the American entertainment scene augurs well for the independent rectifier. By continuing to stress enjoyment through moderation, we in the allied liquor field can look forward to many bright days of operation.

J. B. CELLA

President, Cella Vineyards, Fresno, Calif.

It is my opinion that the outlook for the Wine Industry is by far brighter than at anytime since before World War II. The reason for such an optimistic statement is not only the equal if not superior quality of domestic wines as compared with foreign wines but the gorwing public recognition of this fact. California wines are known throughout the nation and have proven their worth and quality in test after test. We, in the Wine Industry, have much to be thankful for: The State of California for their rigid standardization of wines so that quality may not be sacrificed. The great number of experiments at the state colleges and universities, which enable us as vintners to steadily improve not only our techniques but also our products.

J. B. Cella

Speaking now as a grower, for we at Cella Vineyards also have a considerable acreage, I again foresee that the prospects could not be better with the steady growth of the wine market, the public recognition of wine as a beverage, and the grapes themselves becoming a more precious commodity. What benefits the wine market certainly benefits the wine grape grower. And again the growers as well as the vintners owe a great deal of thanks to the University of California, at Davis, and here in the Valley especially to Fresno State College, both of which have proven themselves invaluable aids in all phases of the grape and wine industry. And now especially with the Fresno State College training of competitive wine personnel and growers, I can foresee no reason why our company and our industry as a whole should not flourish. Coupled with these reasons are the facts that this year there was a moderate crush, we paid a higher price per ton to the grower for grapes, and there is an extremely healthy inventory. All these things tend to raise the price of wine.

JOHN DANIEL, JR.

Managing Partner, Inglenook Vineyard Co., Inglenook, Calif.

In the twelve months since the last review of the wine industry by the "Chronicle," the American industry has made healthy progress on many fronts excepting correction of artificial handicaps imposed by governmental regulations and administrative policies discussed in that issue.

The total sales volume for California wines has increased substantially and may well be greater this year than for any year since Repeal. Producers' inventories are in a sound position and can be expected to remain in balance in the foreseeable future of considerably more than a year, based upon estimated 1956 wine production, potential grape production and utilization in the coming year, and the sales trend of wines. The quality of California wines is improving each year and its premium quality wines have received more recognition of their merit as compared with the fine wines of other wine growing regions of the world than ever before.

John Daniel, Jr.

A series of tastings held throughout the country during the last year in which wines of California Premium Producers have been compared "blind" with the fine wines of Europe, in numerous instances purchased at three to four times the cost of the wines of the California Premium Producers, have revealed most interesting results. In these tastings, where no labels were visible and preconceived views on the relative merits of American wines and "imports" could not come into play, the California Premium Producers' wines ranked as high or higher than the foreign wines.

At Inglenook the healthy trend of the industry in general and of California Premium Producers in particular is reflected. We are especially pleased with the consumer response to the Estate Bottled designation added to our labels in the past year. This positive assurance that every drop of Inglenook table wines comes from our vines and is tended by us during every step of its development has emphasized our custom craftsmanship more readily than any former presentation.

CHARLES M. FOURNIER

President, "Gold Seal" Urbana Wine Co., Inc., Hammondsport, N. Y.

The outlook for the whole premium wine industry is extremely bright. There is no doubt whatever that the next two or three years will see the good New York State wines and champagnes forge ahead. This can be accounted for in several ways. First, New York State is fast becoming recognized as a leader in the premium wine field. Second, publicity by wine and food editors in various publications has given wine a place of importance in the field of entertainment and gracious living. Third, Americans are becoming "wine-conscious" as a result of travel in Europe and coming in contact with it in so many circles. Too, prices of imports are expected to show large increases because of crop failure and economic conditions this year. There will be shortages of certain wines. All this should tend to give the wine buyer an initiation to America's premium wines. Once this happens, I am sure, the American brands will come into their own. All we ask is that the public sample our product. We are sure that, bottle for bottle, and class for class, we can stand up to those produced anywhere in the world. This statement will be acknowledged by many millions of people in the not too distant future.

Charles M. Fournier

MARTIN LEFCORT

President, Chateau Martin Wines, Eastern Wine Corporation, New York City and Waterford Winery, Waterford, Calif.

Wine consumption up—production down. These are the two salient features of the wine picture for next year.

The crushing season of 1956 has a very marked resemblance to that of 1952. In 1952 the Industry went into the harvest, after three years of unusually large production, with wine prices at the low, and no desire on the part of the bigger wineries to add to their already large inventories. The 1952 Government report indicated that the crop was a little more than normal. However, by the end of October, the California vintners suddenly awoke to the fact that the crop was one of the lowest in recent history, and the season ended with only 1,200,000 tons of grapes going into the wineries, much less than necessary to take care of normal consumption and bulk wine prices tripled the following year.

Martin Lefcort

Nineteen fifty-six started the same way. Everyone thought that a huge crop would be added to the bulging inventories of the California wineries. There are already signs that, as usual, at least in the wine business, the majority is wrong. The indications are that the crush this year will be about 1,200,000 tons, which will produce only about 110 million gallons of wine, finished. Inasmuch as the Government reports of tax-paid withdrawals indicate that the country is maintaining a normal demand for about 120 million gallons annually, and that this demand seems to be growing at about 5% each year, we have produced less than is required for normal consumption.

While current wine supply is ample to take care of current demand, all factors indicate that by the time the 1957 crush rolls around, inventories will be far lower than normal. With the good old law of "Supply and Demand" at work, we are bound to see higher wine prices in the near future. Why the management of some of the largest distiller-owned units were so afraid of the wine situation this year, that their plants operated at a slow walk rather than their usual hasty gallup, is beyond this writer's understanding. These same managements are apparently unperturbed by a nine year inventory of distilled liquors, so why be afraid of only an 18 months' supply of wine? Informed opinion in the industry is that at least a two year's supply should always be on hand to take care of variation in grape production, and also improve the quality of the product.

Those wineries who have maintained aggressive advertising and promotion programs and have upheld the quality of their products, are bound to continue in successful operation. With the change in attitude, which this year's short crop is sure to create, a rapidly rising bulk market is almost inevitable. This will eliminate the cut prices and special deals, which have plagued legitimate wineries and retailers in the past two years. Producers who have maintained quality and sound merchandising programs must benefit from the elimination of the cut price artists who flourish in periods of excess supply. The Industry cannot continue to sell wine below cost of production. In the last two years we have seen the elimination of a large number of marginal producers, both in the production and the distribution sections of the business. This is bound to be healthy.

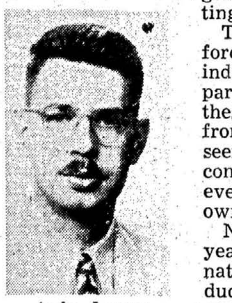
Retailers would be well advised to stock and feature the products of well established wine companies who control their own production and are able to maintain consistent quality. Products which have a proven record of consumer acceptance built up over many years, by clever advertising and sound promotion methods, will create satisfied customers and repeat sales for the wise dealer.

To put it in a nut-shell, the retailer who stocks, features and displays standard, advertised wines is bound to be better off than those who are always looking for the long profit special which inevitably costs them customers.

ANDRE LEROUX

President, Leroux & Co., Inc., Philadelphia, Pa.

From all indications the whole liquor industry will probably enjoy the best Holiday Season in its history, and yet, we may not be getting our share of the tremendous dollar increase that the other industries are going to get because we are not putting forth a united front.



Andre Leroux

There are a great many external forces pulling against the liquor industry, such as the Prohibition party and the bootleggers. While these forces seem to grow stronger from year to year, the liquor industry seems to grow weaker because of the constant bickering and, at times, even a state of open civil war in our own ranks.

Nineteen fifty-seven should be a year of great decisions on the international front and will probably produce quite a few new alliances among former enemies. We should do the same—we should make 1957 the year in which all branches of the liquor industry work together in first: Settling our own internal squabbling with the enactment of rules and regulations that are fair and benefit the entire industry—not just a few.

Secondly: We should join forces for a concentrated campaign to remove those forces that want to see the consumption of alcoholic beverages prohibited from the scene, once and for all.

Thirdly: We should embark on an educational program for the coming generations of consumers so that our industry may also reap their rightful benefit from the dynamic growth that our country is currently undergoing and which will continue for many, many years to come. It is not too late, yet, for us to crush those very forces who are working so strongly to crush us.

SAMUEL LILIENTHAL

President, Haas Brothers, San Francisco, Calif.

We will look for 1956 to show progress again in the volume of sales and we look for a turn for the better in the profit picture at all levels of the industry.

Improved promotion and improved packaging of the advertised brands of whiskey and other spirits are making a strong bid for the consumer expenditure. Whiskey of good quality is under much less pressure than it has been and the supply of quality merchandise at distress prices will be considerably reduced. In recognition of this improvement in the supply situation many distillers have advanced their prices modestly to offset the increased cost which the industry has been absorbing over the recent years, and wherever possible increased margins have been provided for wholesalers and retail dealers also to compensate for their increased costs.

These things should add up to an improved profit picture all the way along the line.

Particularly in our part of the country increased population and high per capita income are expected to result in increased sales.

THOMAS F. McCARTHY

President, Austin, Nichols & Co., Brooklyn, N. Y.

As predicted at the beginning of 1955 and again 1956, the pattern in the wine and spirits industry has remained basically unchanged. The annual statements and the interim statements of the firms in the industry have proved that the mixed trend continues.

Thomas F. McCarthy

As was true a year ago, the brightest part of the industry still appears to be the import trade. Scotch whisky sales have increased sharply, as has the demand for imported Champagnes and Brandy.

What volume our business does enjoy, in both domestic and imported products, has undoubtedly been helped by the high level of consumer income. Should there be a decline in salaries and wages, I believe this industry would be one of the first to suffer because, in spite of what the handful of fanatics say, the average American would not rather drink than eat. The biggest problem which the industry has is still the unrealistic and abnormally high Federal tax. There has been no relief although figures show an accelerated increase in bootlegging which is having a stifling effect on the industry. It is the excessively high tax of $10.50 per gallon which makes bootlegging profitable and, therefore, possible.

According to the records, the number of stills actually seized by Federal agents reached a new high for the year ending June 30, 1956. The figure is 14,499 as compared with 12,509 for the previous similar period. Add to this the number of illegal stills seized by State and local governments, and the total is an all time postwar high of 23,714. This is up 800 from the previous year.

One must bear in mind that these are the stills which are captured. There is no way of estimating how many have escaped detection and are operating right at this moment.

To sum up the situation, the American public was robbed of at least $400,000,000 in tax money last year. In the meantime, a legitimate industry finds its prosperity continually handicapped by illegal competition.

The public in general is obviously not sufficiently interested to stimulate the government toward any strong action against this menace, although some sources estimate the tax loss at half a billion dollars. It is hoped that at its next session Congress will do something about the excessive $10.50 per gallon tax on whisky, at least return it to its World War II peak of $9 per gallon, and it is hoped that there will be some progress made in another direction. In order that the industry in this country may be on a par with European producers, it is hoped that something will be done about increasing the bonding period on whisky. At present, the law requires that the whisky be forced out of bond in eight years, meaning that the full tax must be paid at that time. In Europe the tax is not paid until the whisky is withdrawn for use. A change in this tax law will be of genuine benefit to the industry.

LEWIS S. ROSENSTIEL

Chairman and President, Schenley Industries, Inc., New York City

The United States liquor industry stands today on the threshold of better times.

The continued decline in sales came to a halt last year after six years, and a reasonable atmosphere on legislation and regulatory policy will permit the industry to become one of the more stable industries of the country. All that is needed to assure a strong upward movement in sales is a reduction of the staggering Federal tax burden and the elimination of the tax force-out bonding limitation.

L. S. Rosenstiel

The Federal tax of $10.50 a gallon is five times the cost of producing and aging a gallon of spirits for eight years. No other industry bears anything that resembles such a heavy tax burden. A reduction to $9 a gallon would provide a big sales boost. Such a reduction is due the industry because the increase of $1.50 in 1951 was to be "temporary" and removed after the Korean War.

Schenley has vigorously opposed the tax force-out regulation for many years because this law seriously handicaps the true U. S. distiller in competing with foreign distillers who, with unlimited bonding time, market their spirits only as a demand exists.

This country is the only one which limits the bonding time of spirits. The effect of the eight-year limitation here will be to force from bond in the next three years more than 50,000,000 gallons of spirits in excess of any possible market demand. The forced destruction of this liquor—the only recourse for distillers under the present law—will mean a loss of more than $100,000,000 to the distillers and the loss of more than $500,000,000 in taxes to the Federal Government.

There is reason to believe that the Congress of the United States has a far greater understanding of the problems which beset the industry and that legislative relief will be forthcoming at the next session of Congress.

A year ago the liquor industry was uncertain whether it would ever share in the nation's prosperity as sales had declined steadily from 1948 through 1954. However, they turned up last year and continued higher in 1956.

More aggressive industry merchandising and increased consumer purchase of luxury products were mainly responsible for the upturn in the liquor business. The spectacular rise in vodka sales and the solid increases marked up for both gin and brandy are notable examples of aggressive industry merchandising.

New trends in packaging have also helped sales, and decanters are increasingly in favor as holiday gifts. The popularity of the decanter as a year-round gift should grow and provide a further sales plus.

Other factors that should increase sales next year and in the years immediately ahead are:

(1) The rise in the U. S. adult population.

(2) An increase in "dining out" and a search for entertainment away from home.

(3) A continued trend to quality merchandise which will help the industry's financial position.

(4) Continuing expansion of self-service and self-selection which, in many areas, is just starting.

(5) Stabilization of brands in established type and price brackets.

The installation of self-selection and self-service at the retail level should help check rising operating costs.

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Trends and Prospects in Liquor and Wine Industries

This reduction and the expected increase in the dollar value of the individual purchase unit should combine to reduce the number of industry business failures at the retail level.

The general optimism at all levels of our industry on the outlook for business should make for a much greater stabilization and halt the flight of capital which has been particularly evident in recent years at the wholesale level. Wholesaler profits have declined steadily for the past several years due to the "wheeling and dealing" forced on distributors by the flood of distress whiskey. This liquor, an offspring of the vicious tax force-out law, has been offered at such low prices that the market for established brands was in a completely chaotic condition.

FRANZ W. SICHEL

President, Fromm and Sichel, Inc., New York City

To those of us whose lives have been shaped by the destiny of the grape and its noble products, wine and brandy, and who can look back over many generations of ancestors devoting their lives to the same purpose, the upsurge of American wines during the last few years—both in quality and in consumption in the United States—has been a matter of deep gratification.

Franz W. Sichel

Since repeal 23 years ago, the history of American wine making has gone through three distinct periods. Up to the outbreak of World War I, consumption rose rapidly. The quality of these wines—originally haphazard and indifferent — was improved. Brand-building, as we know it today, was little known.

The war years, the second period of development, temporarily halted the increase due to shortage of wine available. Since 1946, we can speak of the true period of ascendancy of the wine and brandy business in a modern sense,—technologically as far as quality of the product is concerned, and marketing-wise as far as the employment of modern merchandising is involved.

The United States population consists of 7% of the world's population, but even today wine consumption accounts for only 3% of the total world wine consumption. That means that even doubling of our wine consumption would not yet bring us up to the average per capita world consumption; yet this country, in the realm of enjoyment of life's nicer comforts, has generally a standard far above the world's average. This shows the enormous future potential of the wine business in the U. S. A.

When, after unexpectedly heavy wine shipments in 1946, the wine consumption suddenly fell down, the industry took a look around and determined to exploit the wine field by the same means of advanced market research by which other products have achieved their tremendous progress. First of all, the work of quality improvement of wine was intensified on all levels of production through scientific research, selection of better wine grapes, aging and many more factors. Packages were modernized with a new vigor. New wine types—especially created to please the American palate—were developed. Brand-consciousness of the public was stepped up through advanced methods of promotion, merchandising and advertising. The California Wine Industry embarked on an extensive educational program, under the leadership of the Wine Institute and the Wine Advisory Board of California, in order to educate storekeepers, clerks, restaurateurs, waiters and distributors' salesmen; research projects in the field of wine economics, consumer taste preferences and consumer attitudes, were undertaken. A category of "premium" wines sprang up, the quality of which, as proven by many blindfold tastings in comparison to imports, proved that California's finer wine products are equal to the best imports.

Similar efforts were made in the field of California brandy where a new type of brandy,—not an imitation of the imported brandies—was created. Today American brandies outsell the imports by almost two and one-half times to one.

The potential and future of the California wine and brandy business is tremendous. We are not satisfied that today's consumption has doubled as compared with the prewar years; we are looking forward to a tremendous additional increase. After all, the per capita of wine consumption in the United States still is below one gallon against about 30 gallons in France. We will achieve this goal by creating an American wine business in accordance with the American taste, and by means of the superior American know-how in the field of production and merchandising. Wine as a daily beverage and a means of daily enjoyment is still little known to the average American, if we consider that an estimated 85% of the wine consumption is consumed by only 15% of the people. We have to find out what wines and brandy people like in this country.

In a recent extensive advertising program of The Christian Brothers' Wines and Brandy, we have incorporated this idea that it is the customer who has to find out what he likes best—not the advertiser to tell him. This campaign, under the slogan TASTE! is a challenging invitation to the consumer to go out and buy several wines, compare them and satisfy his own taste as to what he likes best. We, the distributors of The Christian Brothers' Wines and Brandy, have the fullest confidence that our products will come out on top as proven by the leading position of quality as testified by the awards given to The Brothers' wines at the 1956 Official Wine Judgings, where The Christian Brothers won more awards than any other winery.

Wine—good California wine—gives the consumer the satisfaction of enjoyment and the glamour of a luxury, yet the price tag on a bottle of good wine is so moderate that it is within the reach of practically everybody. This is an ideal combination. With hard work we will be able, within the next few years, to further increase the consumption of wine, to help the economy of the country, and, last but not least, to add to the enjoyment of living.

FRED C. TAYLOR

President, The Taylor Wine Co., Inc.

Americans are not only drinking more wine than ever before in the country's history, but they are becoming more discriminating in their taste for quality wines.

Our growing wine consciousness has reached a consumption level of almost 150 million gallons per year—about a gallon per person. This is not a startling figure for the richest, and one of the largest nations on earth, but it is remarkable in that it represents a growth in business for the industry as a whole of two and one-half times since 1940.

Fred C. Taylor

Even more remarkable is that the quality wine business has quadrupled since the end of World War II. Happily for the prognosis of the quality wine market, as people become more accustomed to wine drinking at meals they instinctively search for quality. That the American palate is finding the quality it seeks is evidenced by the sales record: 95% of the wine consumed in this country is made in the U. S. A.

This upsurge in the demand for quality wine did not come unexpectedly. Individual vintners and associations within the industry have been doing their utmost to create awareness and acceptance through nationwide advertising and public relations programs. In the meantime, they have been planning expansion to meet the expected demand. At the Taylor Winery in Hammondsport, N. Y., for example, we are experiencing the largest shipment of our wines and champagnes in the history of the country.

Past sales records have shown that consumers turn to better quality wines and champagnes for home service and gift giving during the holidays. At Taylor, we are capitalizing on this fact with nationwide advertising, with colorful gift wrappings and with a program that enables business organizations to have Taylor wines and champagnes delivered as business gifts in practically every state with the cooperation of local dealers.

There is another historical note on the production side. The grape crush was completed on Nov. 3 with a record-breaking tonnage of quality grapes. Taylor was able to complete the crush by running throughout the Fall on a double shift. So nature, as well as the American taste for quality wine, is smiling this year on the Finger Lakes District of New York State.

Further plant expansion in still wines and champagne storage is under construction at the present time. When this expansion is completed the Taylor Wine Company, Inc., will have the largest storage capacity in the Finger Lakes District.

Similar developments are taking place in other regional grape and wine districts. As Americans focus more clearly on superior quality in their demands for wine, the quality vintner stands ready to serve—with Nature, science, generations of experience and integrity as his able assistants.

HOWARD R. WALTON

President, Hiram Walker-Gooderham & Worts, Ltd., Walkerville, Ontario

We hear a lot about death and taxes. Perhaps it is about time that someone points out that history shows birth to be no less certain. The fact that the stork delivers more statistical units than the grim reaper collects is of prime economic importance. It means that more people stride into the market place than are carried out of it. The difference has compound effect because it not only increases the demand for goods but also makes payroll that increases the demand even further.

Only the growth in adult population and the growth in purchasing power have saved the distilled spirits industry from the full shock of discriminatory Federal excise, now $10.50 a gallon. For no other industry does a tax create illicit competition. The moonshiner finds encouragement in year-after-year maintenance of high rates, he expands his operations, he does well. His lawless enterprise would hit the legal distiller, distributor and dealer much harder than it has but for two influences already mentioned: the rise in population and the rise in purchasing power.

Distillers whose sales and earnings are satisfactory should not be cited as evidence that the industry withstands high excise tax easily. Rather it should be emphasized that the consumption of legal distilled beverages, though improving, is far below the peak years, also far below the levels that general business conditions denote for it. Meantime, if we must have excessive taxes, let us be grateful for the upward trend in population and purchasing power.

With Ross, Borton

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Charles W. Coffan is now connected with Ross, Borton & Co., Inc., The 1010 Euclid Building.

Saunders Stiver Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Philip E. Rimer has been added to the staff of Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange.

Joins Tegtmeyer Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Harry W. Taylor has become associated with Wm. H. Tegtmeyer & Co., 39 South La Salle Street. He was formerly for many years with W. C. Gibson & Co.

H. H. Petersen Joins Glore, Forgan & Co.

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich. — Herman H. Petersen has become associated with Glore, Forgan & Co., 135 South La Salle Street, Chicago, members of the New York and Midwest Stock Exchanges. Mr. Petersen was formerly an officer of the Old Kent Bank of Grand Rapids.

Victor Uhl Adds

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Ill.—Robert C. Campbell has become affiliated with Victor A. Uhl & Company, Myers Building.

With Brown Bros.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Eliot C. Clarke has joined the staff of Brown Brothers Harriman & Co., 10 Post Office Square.

W. E. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Stanley E. Pratt has been added to the staff of W. E. Hutton & Co., 75 Federal Street.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Robert G. Parker has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 18 Milk Street.

Joins Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Paul J. Dacey has become associated with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

With Goodbody 25 Years

Marcus Goodbody, senior partner of Goodbody & Co., welcomed three new members to the firm's Quarter Century Club at a dinner held at the New York Athletic Club.

The new members — Frank E. Voorheis, partner in the Detroit office, Howard M. Hindes and Leonard J. King — bring the club's roster to forty-three.

With Palmer, Pollacchi

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Joseph E. Keegan has become connected with Palmer, Pollacchi & Co., 84 State Street.

With Lyman Phillips

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Willis E. Williams has become affiliated with Lyman W. Phillips & Company, 199 Washington Street.

Chicago Analysts

CHICAGO, Ill. — The investment Analysts Society of Chicago will be guests of U. S. Industries, Inc. at a luncheon to be held Dec. 4th in the Embassy Room of the Hotel Morrison.

Exchange Member

ST. PETERSBURG, Fla. — J. Curtis Merkel has acquired a membership in the Philadelphia-Baltimore Stock Exchange, and Curtis Merkel Company, Inc., 601 First Avenue, North becomes an exchange member firm.

Planned Secs. Formed

ENGLEWOOD, N. J. — Sidney Sprague has formed Planned Securities with offices at 15 West Palisade Avenue to engage in a securities business.

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The State of Trade and Industry

Twenty-three tankers are under construction or on order at present.

The Suez crisis will make certain that at least half the vessels will be built, it added.

The heavy demand for structural shapes, too, spells shortages in many fabricating shops. In many instances, their operations are limited to the material available.

The publication said to discount talk of a gray market in structural steel. So-called premium prices reportedly paid in some areas turned out to be the difference between mill and warehouse quotations.

Other steel products give promise of being in good demand, perhaps stepping up somewhat. One deterrent to buying will soon be out of the way and that is the year-end property-inventory taxes in some states that influence people to get their stocks down low by the close of the year.

Orders on the books were sufficient to keep mills working at 100.5% of rated capacity in the week ended Nov. 25. They produced 2,474,202 net tons of steel for ingots and castings for the second consecutive week.

Scrap prices continue to reflect optimism over steel production. For the second consecutive week, "Steel's" price composite on steelmaking scrap set a record. It registered $62 a gross ton for the week ended Nov. 21, a 50-cent increase over that of the preceding week.

Because of the international crisis, there may be renewed agitation to limit iron and steel scrap exports, even though there is no danger of a pinch on domestic supplies. Shipments abroad this year will total about 5,000,000 gross tons, compared with 4,500,000 last year.

For the first eight months of 1956, Japan has taken over No. 1 spot from last year's leading customers, Italy and the United Kingdom. It has imported 989,938 gross tons of United States scrap, Italy, 676,127; Canada, 387,028 and the United Kingdom, 367,481.

In the week ended Nov. 21 "Steel's" arithmetical price composite on finished steel remained at $137.66 a net ton.

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 an average of 100.3% of capacity for the week beginning Nov. 26, 1956, equivalent to 2,469,000 tons of ingot and steel for castings as compared with 100.1% of capacity, and 2,463,000 tons (revised) a week ago, which included the Thanksgiving holiday.

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 101.3% and production 2,493,000 tons. A year ago the actual weekly production was placed at 2,356,000 tons or 97.6%. The operating rate is not comparable because capacity is higher than capacity in 1955. The percentage figures for 1955 are based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.

Electric Output Cut In Thanksgiving Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Nov. 24, 1956, was estimated at 11,439,000,000 kwh., a decrease below the week ended Nov. 17, 1956, according to the Edison Electric Institute.

The past week's output fell 150,000,000 kwh. below that of the previous week; it increased 712,000,000 kwh. or 6.6% above the comparable 1955 week and 2,352,000,000 kwh. over the like week in 1954.

Car Loadings in Veterans' Day Week Ended Nov. 17, Fell 1.2% Under Prior Week

Loadings of revenue freight for the week ended Nov. 17, 1956, which included Veterans' Day, decreased 8,885 cars or 1.2% below the preceding week, which included Election Day, the Association of American Railroads reports.

Loadings for the week ended Nov. 17, 1956, totaled 763,876 cars, a decrease of 2,340 cars or 0.3% below the corresponding 1955 week but an increase of 66,530 cars, or 9.5% above the corresponding week in 1954.

U. S. Car Output Declines In Thanksgiving Holiday Week

Car output for the latest week ended Nov. 23, 1956, which included the Thanksgiving holiday, according to "Ward's Automotive Reports," declined below that of the previous week.

Last week the industry assembled an estimated 127,021 cars, compared with 135,641 (revised) in the previous week. The past week's production total of cars and trucks amounted to 144,744 units, or a decrease of 12,407 units behind that of the preceding week's output, states "Ward's."

Last week's car output fell below that of the previous week by 8,620 cars, while truck output declined by 3,787 vehicles during the week. In the corresponding week last year 151,799 cars and 22,144 trucks were assembled.

Last week the agency reported there were 17,723 trucks made in the United States. This compared with 21,510 in the previous week and 22,144 a year ago.

Canadian output last week was placed at 8,200 cars and 2,002 trucks. In the previous week Dominion plants built 8,282 cars and 1,977 trucks and for the comparable 1955 week 6,327 cars and 819 trucks.

Business Failures Ease in Thanksgiving Holiday Week

Commercial and industrial failures declined to 207 in the week ended Nov. 22 from 240 in the preceding week, Dun & Bradstreet, Inc., reports. The toll in the week shortened by Thanksgiving was the lowest since Sept. 13, but it remained slightly above the 205 in the comparable week last year. However, failures were less numerous than in 1954 when 226 occurred and were 18% below the prewar level of 252 in 1939.

Failures involving liabilities of $5,000 or more rose to 192 from 184 a week ago and 174 in the similar week of 1955. Twenty-one of the failing businesses had liabilities in excess of $100,000 as against 11 in the previous week. All of the holiday week's decline was concentrated in small casualties with liabilities under $5,000, which fell to 15 from 56 last week and 31 a year ago.

Wholesale Food Price Index Rose Sharply To Highest Level Since June 12, 1956

Another sharp rise in the Dun & Bradstreet wholesale food price index last week brought the Nov. 20 figure to $6.10, the highest it has been since June 12 when it stood at $6.14. The current level is up from $6.01 a week earlier, and compares with $6.02 on the corresponding date a year ago, or an increase of 1.3%.

Moving upward in price the past week were wheat, oats, barley, beef, hams, bellies, lard, butter, sugar, coffee, cottonseed oil, raisins, hogs and lambs. Lower were flour, corn, rye, cocoa, eggs and steers.

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 Prices Influenced By The International Political Situation Moved Into Higher Ground Last Week

The general level of prices continued to move higher last week, reflecting continued uncertainties in the international political situation. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose to 298.23 on Nov. 20, from 296.43 a week earlier and compared with 274.97 on the corresponding date a year ago.

Grain markets were nervous and unsettled the past week with irregular price movements reflecting day to day developments in the Middle East and the waterfront strike which has tied up shipping at Atlantic and Gulf ports.

Wheat showed marked strength at mid-week, aided by active export demand and lack of subsoil moisture in much of the Winter wheat area. A large movement of wheat out of Chicago bound for eastern destinations was said to be taking place at the present time. Corn receipts were seasonally lower. Prices declined moderately as traders took a bearish view of the announcement that the 1957 support price would be $1.36, or 14 cents lower than last year. Trading in grain and soybean futures on the Chicago Board of Trade showed little change with daily average purchases for the current and preceding weeks totaling about 66,000,000 bushels as against 40,000,000 bushels a year ago.

The world sugar market continued active with prices rising sharply, aided by an improving statistical position and the international unsettlement.

Cocoa prices were down slightly. There was little concern felt over the dock strike as supplies were considered sufficient here to cover the needs of manufacturers for some time. Warehouse stocks of cocoa declined to 319,512 bags from 325,672 a week ago and compared with 257,153 bags at this time last year. Lard prices again rose sharply, aided by continued strength in vegetable oils. Live hog prices were moderately lower influenced by seasonally large receipts and weakness in wholesale pork. Cattle and sheep prices were also lower for the week.

Cotton prices were generally steady to firm the past week with constructive sentiment aided by the very large sales reported by the CCC under the export program and the expectation of a reduced crop next season under the soil bank program.

Domestic cotton consumption in the four-week October period, according to the Bureau of the Census, totaled 733,000 bales as compared with 737,000 bales in the like period last year.

On a daily rate basis, consumption last month averaged 36,600 bales against 32,900 in September and 36,900 in October last year. Exports of cotton for the August-September period this season, according to the Census Bureau, totaled 928,000 bales, the largest for any similar two-month period since 1933.

Trade Volume Stimulated In Latest Week By Christmas Sales Promotions

Consumer buying was somewhat encouraged last week by numerous early Christmas sales promotions. Interest centered primarily on women's apparel, gifts and food products. Total retail volume moderately exceeded that of a year ago.

Automobile dealers reported a noticeable rise in sales of 1957 models and inventories of new passenger cars were at the lowest level since December 1954.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 1 to 5% 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 −2 to +2; East +2 to +6; South, Middlewest and Southwest +1 to +5; Northwest −1 to −3 and Pacific Coast 0 to +4%.

Responding favorably to Thanksgiving sales promotions, housewives stepped-up their buying of poultry, fresh meat, canned goods, candy and baked goods last week. Volume in dairy products continued at the level of the preceding week.

In preparation for Christmas sales promotions, buyers increased their orders for gifts, toys and some lines of women's apparel, while volume in textiles, major appliances and housewares declined somewhat.

The total dollar volume of wholesale orders continued moderately above that of a year ago.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Nov. 17, 1956, advanced 7% above those of the like period last year. In the preceding week, Nov. 10, 1956, a decrease of 3% was reported. For the four weeks ended Nov. 17, 1956, an increase of 1% was recorded. For the period Jan. 1, 1956 to Nov. 17, 1956, a gain of 3% was registered above that of 1955.

Retail trade volume in New York City the past week, spurred by cooler weather at the close of the period rose 1 to 3% above the like week a year ago, according to trade observers.

According to the Federal Reserve Board's index, department store sale in New York City for the weekly period ended Nov. 17, 1956, increased 10% above those of the like period last year. In the preceding week Nov. 10, 1956, a decrease of 8% (revised) was recorded. For the four weeks ending Nov. 17, 1956, a decline of 1% was registered. For the period Jan. 1, 1956 to Nov. 17, 1956 the index recorded a rise of 4% above that of the corresponding period in 1955.

Lee Higginson Offers Anheuser-Busch Stock

A secondary distribution of common stock of Anheuser-Busch, Inc. is being made today (Nov. 29) with the public offering by Lee Higginson Corp. and associates of 328,723 shares of the brewer's $4 par value common stock at $18.62½ per share.

The stock represents the total holdings of the Estate of Edmee B. Greenough, deceased. The company will not receive any proceeds from the sale.

Anheuser-Busch, founded over 100 years ago, brews Anheuser and Michelob beers, and produces yeast, corn products and refrigerated cabinets. A new brand of beer, Busch Bavarian, is currently being tested in a limited market area. Beer sales in 1955 accounted for about 84% of the company's net sales.

Total net sales in the nine months ended Sept. 30, 1956 were $169,027,000 and net income after provision for taxes was $9,329,000, or $1.94 per share, on 4,816,219 shares outstanding. This compares with sales of $158,811,000 and net income of $7,963,000, or $1.65 per share, in the similar period of 1955. For the calendar year 1955, net sales were $201,719,000 and net income was $8,026,000, or $1.67 per share.

Willard H. Livingstone

Willard H. Livingstone, of Palo Alto, California, passed away on Saturday, November 17, 1956. Mr. Livingstone was formerly head of Livingstone & Company.

New Cooley Branch

NORWICH, Conn. — Cooley & Company have opened a branch office in the Thayer Building under the direction of George W. Miller.

F. P. Ristine Branch

RED BANK, N. J.—F. P. Ristine & Co. have opened a branch office at 39 East Front Street under the management of Lester R. Ross and Harry A. Isaacs, Jr. Mr. Isaacs was formerly manager of the Toms River office which has been closed.

With John G. Kinnard

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — John Messelt is now with John G. Kinnard & Co., 133 South Seventh Street.

With Zuehlke & Grieve

(Special to THE FINANCIAL CHRONICLE)

ROCHESTER, Minn. — Paul W. Daly has been added to the staff of Zuehlke & Grieve, 214 First Avenue, Southwest.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn. — George W. Pilgram Sr, is now with State Bond & Mortgage Company, 28 North Minnesota Street, North.

Joins Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

ST. LOUS, Mo. — John F. Koch has become affiliated with Dempsey-Tegeler & Co., 10th and Locust Streets, members of the New York and Midwest Stock Exchanges. He was formerly with Reinholdt & Gardner and Albert Theis & Sons, Inc.

With Stifel Nicolaus

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—J. Scott Scott has joined the staff of Stifel, Nicolaus & Company, Incorporated, 314 North Broadway, members of the Midwest Stock Exchange. He was formerly with the State Bond & Mortgage Company.

Continued from page 5

Wider Federal Reserve Policies For More Effective Influence

an unchanged level of earnings would be appreciably enlarged. The returns offered on stocks in the market therefore would increase. The relative cost of risk capital versus borrowed capital would decrease.

I am confident you already envision a vastly different set of problems than those that now confront us. True, some complications would be introduced into present thinking about corporation finance. I do not think these would prove to be insurmountable. You will agree, I am sure, that the problems, which currently have to be surmounted in connection with the conduct of monetary and Reserve credit policies, would undergo considerable change. We might find we were saving too much, in the strict sense of that word, and investing too little.

Clearly, the impacts of taxation bear importantly on the problems of monetary and credit policies.

Impact of Federal Activities on Monetary Policy

Another part of monetary policy might be the credit and price support activities of the Federal Government and its agencies. These include the conglomeration that operates in housing and in mortgage credit, also farm credit. The crop support and crop lending programs perhaps should be included, too, and maybe the Small Business Administration.

The results in the Federal budget certainly need to be included. In this area, there is the matter of whether and when the Treasury must finance a deficit or will be in a position to retire publicly-held debt. I think we should cover in here those Federal-sponsored expenditures and receipts that are handled outside of the budget, for one or another reason.

Treasury debt management is of great importance, too. As you know, it is not just a matter of when new debt is sold or retired, but how and to whom. In addition, there is the never-ending task of reconstructing the maturities of the debt. This is not simply a matter of funding near-dated debt into long. The banking and credit system is geared so that its ordinary functioning requires a certain amout of near-dated debt for liquidity. Moreover, if Treasury expenditures are to be held lower than receipts, adequate provision must be made whereby the Treasury can readily retire publicly-held debt. Such arrangements, also, are necessary in connection with meeting the investment requirements of the various trust and agency accounts of the government, as these are set up.

Finally, and by no means least, there is Reserve credit policy.

In other words, there are, at least, five major components or influences which shape monetary policy—taxation, the credit and price support activities of the Federal Government, the condition of the Federal budget, Treasury debt management, and Reserve credit operations.

It seems safe to say, I believe, that taxation (that is, the scope, character, and incidence of taxation) and the results in the budget can have a great deal to do with setting the trend of our monetary affairs. Given, however, a coincidentally appropriate budgetary result; an appropriate handling of the credit and price support activities of the Federal Government, of Treasury debt management and Reserve credit policy — we can create and maintain a credit condition that should meet with the approval of the majority of fair-minded people; those who are interested in the future as well as the present—for themselves, their children, and their children's children.

Monetary Policies in Action

Therefore, we should see how the various component parts of monetary policy have contributed or may have failed to contribute to such a goal.

Taxation has been amply covered for our purposes here.

On the matter of the credit and price support activities of the Federal Government and its agencies: Let's skip the support of crop prices and crop lending programs. By and large, the rest has been pretty much, although not entirely, a one-way street. In housing, mortgage, and farm credit — the Federal Government has seemed to ignore, at times, the over-all economic environment when this has called for credit restraint by the Reserve. I recognize there is another side; one that can be made plausible, but plausibility should not be enough when it serves to produce special privilege under the guise of administering a control. At the same time, it long has been recognized that prudence and the public interest urge that credit powers be placed in other hands than those to whom organized minorities may say, in effect, "If you don't do this and that — we are going to vote for someone who will!"

The results in the Federal budget have improved considerably. We are in a boom. The Treasury will have met with a cash surplus during the calendar year 1956. During 1957, we also should have a cash surplus.

The existence of a cash surplus during this calendar year has been a tremendous help in the management of the public debt and in the conduct of a restraining credit program on the part of the Reserve.

Treasury debt management: The handling of the public debt can be positively helpful less frequently than it may be harmful and obstructive. This Treasury administration has made an earnest effort to handle the debt helpfully. In two respects, however, the management of the debt has not been as helpful as it might have been. First, it has been no secret that the Reserve would like to have exchanged some of its past maturities of certificates, notes, and bonds into bills. The Treasury has been unwilling to accede to the Reserve's wishes. It has required the Reserve to accept Treasury certificates. Second, although both the Treasury and the Reserve are on the public record as having a common view that it is desirable to foster and to develop a broad and active money market, in which Treasury bills are the preferred vehicle, the Treasury has been unwilling to issue bills except when this has been made almost obligatory by market conditions. The Treasury prefers to use certificates. The money market would be better fostered and developed if the Treasury's short-dated debt were entirely in bill form.

Credit Policy Not a Cure-All

Reserve credit policy: Most people believe it to have been conducted with extraordinary skill. I share that view. But, I would recall to your mind that credit policy, whether conducted by the Reserve or through some other medium, cannot overpower the forces that are set up by the other components and influences that shape "the longish" trend in money and credit matters. Credit policy can be an effective device by which inflationary surges can be snubbed, but it cannot be a cure-all.

On this score, the effectiveness of the Reserve depends, in some considerable degree, upon the pervasiveness of its influence. Therefore, I might remind you of another situation which tends, unnecessarily, to decrease the effectiveness of Reserve credit policy. This concerns developments in our banking and credit machinery over the past 10 years. Since the end of World War II, the savings and loan associations, the finance companies, credit unions, and other such credit sources have become increasingly important purveyors of credit, while old-line institutions such as the commercial and savings banks, and insurance companies, have participated somewhat less, relatively, in total lending. The latter come more directly under the influence of Reserve credit policy than the first. This means it takes longer and it is more difficult for the influence of the Reserve to pervade all credit sectors: this is to say that the impacts of Reserve credit policy — once these begin to take hold—become more unequal than, under better arrangements, this general and impersonal control should create. We simply have not kept the arrangements, under which all of our banking and credit machinery functions, abreast of the requirements for effective control through the Reserve.

Program for Effective Control

Perhaps, the direction in which we might move, to improve the quality and effectiveness of our control over money and credit, should include the following:

One, reduce the scope of the money and credit problems that evolve from the tax structure, by causing the provisions of law to better conform with economic common sense. I realize that is a tough task, except as the people of the country become more fully informed on the ramifications that exist.

Two, transfer the responsibility for the direction and administration of the credit activities now being carried on under the Executive Branch of the Government to the Federal Reserve.

Three, consider ways and means of introducing greater flexibility into the amount of Federal taxes that are collected, as business conditions change and the requirements of flexible monetary policy also change. Perhaps, the President might be given authority to increase or to decrease all rates of taxation by some margin, such as 10%, to be used only in the event of some marked, clearly discernible change in underlying economic conditions.

Four, the Treasury be authorized and instructed to issue to the Reserve Banks, for the refunding of public debt issues held by them, only such type or types of issues as the Reserve requests; providing, of course, these are of a type the Treasury is authorized to issue to the general public.

Five, go ahead with the sort of non-partisan re-examination of our banking and credit machinery that has been urged by eminent financial leaders.

Now, I would like to talk to you about the most important instrument at the disposal of the Reserve for the effectuation of its credit policy objectives: **Reserve open market operations.** As you know, these consist largely of purchases and sales of Governments through the regular dealers. The primary purpose is to add to and subtract from the reserve balances of the banking system. These balances are, of course, the basis upon which the commercial banks may expand credit and the money supply. In a $414 billion economy, it is necessary for the Reserve to buy or to sell large amounts of Treasury securities, sometimes on successive days. Were the Reserve to attempt to do this the Treasury note or bond market, it would engender dizzy price spirals, up and down. Even so, it rarely could accomplish its needs in these securities.

However, as you know, open market transactions are largely confined to the purchase and sale of Treasury bills. The decision to so confine the scope of the open market transactions was made some three to four years ago, after careful consideration of the technical structure and the workings of the Treasury market. But, there was another far more significant reason behind the Reserve's decision, I believe.

As a consequence of the Reserve's study of the market, its open market operations, and of the relationship of the Reserve to the market, the Reserve apparently came by a philosophy. This was set forth in the Annual Report of the Board of Governors for the year 1953. The Reserve stated there it had reached the conclusion it should seek to promote and to encourage *self-reliant* financial markets. The reference was not to the government securities market per se, but to financial markets in general.

Self Reliant Market

A self-reliant financial market was defined. It was said to be one wherein available funds are allocated via the competitive process of the market place. In elaboration, this was described somewhat along these lines: *Borrowers* make offers commensurate with their needs, desires, and the types of securities they wish to sell, and *lenders* bid at rates and on terms appropriate to the funds held by them, and, commensurate with their judgments of the credit and other risks and pertinent factors.

If you grant my earlier statement that the open market operations of the Reserve constitute its most important implement, then I think we can say the following about the way Reserve credit policy is made effective: A group of private firms — government security dealers — stands between the Reserve and the public and its institutions, when the Reserve makes its purchases and sales. The Reserve's purchases and sales are made on the basis of the best price and are not contingent upon whom the sellers or buyers might be. These purchases and sales are made in a sector of the market wherein they have the least *direct* impact on the market prices and yields of government securities. This process insures a minimum of disturbance to the allocations of available funds that are being made in this, and in other credit markets. Such allocations of available funds are the most impersonal that can possibly be made. Such arrangements and processes do not involve telling individuals, or their institutions, what they can and cannot do. All of these things leave each individual free to compete for borrowed funds, or to lend them, and to use all of his initiative and enterprise to accomplish either purpose, or not to, as he chooses. All told, therefore, the conduct of credit policy by the Federal Reserve System parallels, to an amazing degree, the basic concepts on which this country has been built. The Federal Reserve System, functioning in such a manner, is one of the best guarantees we can have that, tomorrow, this country will continue to produce an enviable, unmatched record of economic achievement; that the individual will continue to be able to be free to live as he chooses, to do what he pleases, and thereby, be encouraged to exercise maximum initiative and enterprise.

Under these circumstances, the Reserve deserves the backing of all in any attempts to curb its power, or to frustrate its independence of action. In addition, we should seek, by every means, to make a wider use of this extraordinarily useful organization.

Perhaps, however, I should not neglect certain of the proposals advanced by those who would have us do otherwise.

Opposes New Economic Council And Selective Controls Proposal

If we are seriously asked to smother the carefully set up, and often-threatened independence of the Reserve, by causing it to become just one voice in a politically-manned council— of whatever name—the score would be, I am sure, about this: The conduct of Reserve credit policy inevitably would take on the same political color as the so-called controls over housing and mortgage credit. Could that, possibly, be desirable? Could it, possibly, be in the *public* interest?

It is in the area of selective controls that some of us may become trapped. This can be avoided, I believe, by comparing the manner of their application, and administration, to the basic concepts of our economic society to which I have referred.

First of all, to be selective, someone has to select the points to which each such device would be aimed. But, are these to be designed to confer special credit privileges, or to impose credit discriminations? When we impose either, it seems to me we are bound, in effect, to have done both.

How do you administer such special privileges and discriminations? You do it by government fiats, or dictums, presumably in some detail. This would require a host of what I envision as Panjandrums, big and small. Each must have, or is likely to end up with an entrenching, and entrenched army of lieutenants. These will require assistants and helpers; a whole host of dynasties would ensue. These would have one main purpose: To tell individuals what they can and cannot do —in detail.

Individual freedoms of choice would be directly impinged upon. That is the purpose of a selective control.

The exercise of individual initiative and enterprise would be inhibited. That is another purpose of a selective control.

To do the job efficiently would require rationing from the top to the bottom of the economy. This, patently, would be impractical and, eventually, grossly unpalatable.

One rebuttal to what I have said might be to ask—"But don't we have a selective control over stock margins that seems to work pretty well?" The answer, I believe, is that we have such a control. It happens to be among the kind that is the more simple to administer. I might inject that it has been made a responsibility of the Reserve. This control has prevented wild up-surges in borrowings to purchase stocks. Therefore, it may be said it has worked. It discriminates, however, against listed securities. So, from time to time, the cry is raised to apply it to all stocks. That is precisely the way such controls build—one on top of another.

Yet, I believe it would be possible to avoid the abuses at which this control aims by other methods; ones that might be more consistent with the basic concepts I have mentioned. If I am wrong in this, then I'd gladly settle for such a single exception to the basic concepts to which my thinking is wedded.

Elsewhere, perhaps, the noteworthy instances of selective controls are found in the fields of housing and mortgage credit. In these instances, it seems difficult to view the arrangements as ones that aim at control. They appear to function more like fountains of subsidy and special privilege.

Changes in Cost of Credit

Among current developments are several that could bear importantly on the availability and cost of credit in 1957.

First, there is the improved position of the budget. In calendar 1955, the Treasury encountered a modest cash deficit, about $3¾ billion. This calendar year, the Treasury, for the first time in many years, should come up with a cash surplus, around $6.5 billion. Insofar as one can see, the Treasury should close calendar 1957 with a cash surplus of about the same amount. These cash surpluses mean a retirement of publicly-held debt.

Perhaps however, a non-calendar year measure would be more helpful in visualizing the forces that may be set in play in the months ahead. During the last half of this year, the Treasury will have added about $3.3 billion to the publicly-held debt. During the first half of 1957, it may withdraw some $8 billion of the publicly-held debt.

Some portion of these prospective withdrawals will come from bank portfolios, both directly and indirectly. Deposits will decrease correspondingly, on this account. That is of some first-rate importance when one considers other developments in the banking picture.

Commercial banks have sold a large amount of government securities from their portfolios during the past couple of years. In general, bank liquidity has been reduced as a result. The banks have used the proceeds from their sales of governments to make loans. Such loans and non-Treasury securities comprise their risk assets. Therefore, three changes have transpired: Measures of bank liquidity have been measurably reduced. The proportion of risk assets to total deposits has increased, at a most unusual rate. The proportion of risk assets to private deposits, that is, to deposits other than inter-bank (domestic and foreign) and of the Treasury, has soared.

The changes to which I refer have been most marked in the case of the banks in the large metropolitan centers. This is because we have been in a capital goods boom, and the customers of such banks have been among the largest and more persistent borrowers.

The fact that these changes have gone on is not important, in itself, to what may follow. What is important is that an increasing number of banks feel they just cannot take on many additional loans except as they gain deposits. These banks don't say they cannot reduce their liquidity ratios further. But, you don't need a crystal ball to know pretty well that some banks can't willingly reduce such ratios *much* further. In the same vein, there is no magic figure for risk asset-deposit ratios, whether these are related to total, or to private deposits. But, again, no crystal ball is really needed to know that an increasing number of prudent bankers find it is no longer a matter of bank capital or of free balances at the Reserve Banks—it's deposits!

Deposits can be created three ways—if a bank has the reserves. These reserves may be used to purchase government securities from non-bank holders. If short-term governments are purchased, deposits will increase, and the bank's measure of liquidity will rise. If these same reserves were used to make additional loans or to purchase non-Treasury securities, bank risk assets and deposits would increase on a 1-for-1 basis; that is to say, their risk asset to deposit ratios would move up still further, liquidity would undergo a further fall.

Tighter Credit

It is the decline in liquidity *and* the increase in risk asset to deposit ratios that is really tightening the credit environment—but, a lot tighter situation seems to be in prospect.

This tighter environment will come about as the Treasury uses its prospectively large cash surplus to retire publicly-held debt during the first half of 1957. To the extent this is at the expense of the banks, deposits will decline. Fortunately, I would guess, a good portion of the surplus will be used to purchase, directly or indirectly, governments held by business corporations. This will not affect deposits, as of then. But, between now and then, corporations may be taking on additional short-term securities from the banks. For practical purposes, therefore, the eventual result would be the same as though the Treasury's surplus were used to reduce bank portfolios directly, except for the time element.

In addition, the liquidity of non-financial corporations has been shrinking. Between now and mid-1957, such businesses may wish to rebuild some of their lost liquidity — in interest-bearing form. This, if undertaken, would decrease bank deposits too.

On such analysis, it would appear that commercial banks might be unable to purchase short-term governments on balance, even if the necessary reserve balances were to be made available to them by the Reserve Banks. Of course, if reserve requirements were reduced, and the Reserve sold governments at the same time, that would help. It's a bit of a shame the Reserve has, relatively, so few bills.

Better Balanced Money Market

Now, I don't know whether the fact that we are *approaching* minimum liquidity and maximum risk asset-deposit ratios will, or will not slow business down. Ordinarily, I would think it would. But, there are some indications that a lot of business borrowing needs have been anticipated—"Just to be sure we have the money if we need it." It seems to me, though, that either contingency adds up to about the same thing. If business is slowed down by the decreasing ability of the banks to lend, this slow-down will reduce some of the now envisioned demands for capital and credit. If business keeps going because it already has borrowed in advance of its needs, future demands for capital and credit should be less just the same.

On the whole, therefore, it would seem that we may strike a better balance between the supply and demand for long-term funds sometime between now and the middle of next year. Also, there may be a reduced supply of short-term Treasurys around as we move into the middle of 1957, and some increased competition may exist for these. The above, however, does not mean that we, necessarily, will see lower bond yields, or interest rates by mid-1957.

That is because a big open question remains: **What further discount rate action, if any, will be taken by the Reserve Banks?** If their discount rates were to be increased between now and the end of this year or at the beginning of next, the composite result might be that little change in the levels of interest rates would occur by mid-1957, in spite of the favorable possibilities I have mentioned, unless business sagged. Personally, I see no need for an upward revision in discount rates at this time, but that doesn't mean a thing except that, should no such change eventuate, then, interest rates might be lower by mid-1957 than they are today.

In closing let me say this: From now to the end of the year, seasonal pressures on interest rates will fall on top of the pressures of a business boom. This makes it look as though the popular view—that we are in for higher rates and tighter money—is a good short-run bet. Beyond that, the prospects for somewhat higher bond prices—and lower interest rates—are brighter than they have been for some time. How bright, I really don't know.

Continued from page 16

News About Banks and Bankers

outstanding shares to increase the number of shares to 300,000 from 60,000 and to reduce the par value from $25 per share to $15 per share, it was announced on Nov. 26. The capital is being increased to $4,500,000 from $1,500,000 and surplus becomes $5,500,000. At the same time it was announced that the Comptroller of the Currency has approved the plan effective Nov. 23, and the bank is currently mailing an additional four shares for each one present y held to stockholders of record Nov. 21, 1956, which represents a stock dividend and a stock split. It is also announced that it is the present intention of the board of directors to pay a quarterly dividend of 40 cents a share on the new stock beginning April 1, 1957. Plans to increase the bank's capital were announced in these columns Nov. 1, page 1861.

* * *

The appointment of Henry G. Meyer as an Assistant Vice-President of **Manufacturers Trust Company of New York** is announced by Horace C. Flanigan, Chairman of the Board. Mr. Meyer joined Manufacturers Trust as a page in 1931. In 1937 he was transferred to the personal loan department as an interviewer. He was appointed an Assisant Manager in 1947 and an Assistant Secretary in 1951. At present, Mr. Meyer heads the FHA modernization loan section of the bank's personal loan department, 67 Broad Street, New York.

* * *

The Hanover Bank of New York on Nov. 23 announced the appointment of 19 new officers and the promotion of three others. Stanley van den Heuvel was appointed an Assistant Vice-President in the personal trust department. Named Assistant Treasurers were Robert W. Keith, Personnel; Alfred O. deGruchy, Personal Trust; Robert W. Bird, III, and Lynn H. Moore, 42nd Street office; Hector M. MacKethan, Jr., 72nd Street office; and Thomas F. Ratchelous, Chrysler office. Appointed Assistant Secretaries were John J. Evans, III and Fred A. Rager, Jr., Out-of-town Division; L. Abbett Post, Jr., City Division; Edward C. Hamilton and Thomas F. Seifert, Personal Trust; Henry C. Held, Personnel; Joseph Swiston, Rack Department; Stephen V. R. Goodhue, Chrysler office; and M. Cabell Woodward, 34th Street office.

Named sub-managers in the Foreign Division were Samuel W. C. Dodwell and George J. Turner, London City Office; and Albert G. Richardson, London West End office. Advanced to Assistant Managers in the London City Office were Ronald P. Brett, Reginald G. Palmer and Marcel J. Wouters. All were formerly sub-managers.

* * *

Harold D. Rutan, Vice-Chairman of the Board and a Trustee of **The Bank for Savings of New York**, died on Nov. 13 of a heart ailment. He was 57 years of age.

Born in Newark, N. J., he graduated from the N. Y. University Law School and served in the Navy in World War I. Mr. Rutan began his career with the Prudential Insurance Company in Newark in 1924. The next year he went to Montreal as Assistant Manager of the concern's office there. He became regional appraiser of the home office in Newark in 1927, and two years later was named Supervisor of the home office in charge of all eastern mortgage loan offices. He joined **The Bank for Savings** in 1939 as a Vice-President. He was named Senior Executive Vice-President and a Trustee in 1953. This year he became Vice-Chairman of the Board and was in charge of the mortgage and real estate department.

* * *

Following a plan of merger between the **State Bank of Suffolk, Long Island, N. Y.** and the **Suffolk County Trust Company** approved by the directors of both institutions on Oct. 24 and by the respective stockholders on Nov. 16, the offering of 76,228 shares of capital stock by the State Bank of Suffolk is now under way. The stock, par value $4 per share, is being offered at $17.50 per share. According to the offering circular the plan of merger provides among other things that the holders of each share of capital stock of the bank will receive 2½ shares of new $4 par value capital stock for each share of the present $10 par value capital stock of the bank and holders of the capital stock of Suffolk County Trust Company will receive 44½ shares of the new $4 par value capital stock of the bank for each share of Suffolk County capital stock now held by them. The bank was chartered in 1887 under the Banking Laws of the State of New York. The present name of State Bank of Suffolk was adopted on Sept. 30, 1955, when the **South Side Bank of Bay Shore** and **The Bank of Amityville** merged to form the present bank. At present the bank operates four offices at Bay Shore, Amityville, Brentwood and North Lindenhurst.

The circular adds that "on completion of the merger with Suffolk County Trust Company the bank will be one of the largest banks in Suffolk County; operation of the Suffolk County Trust Company as the Riverhead office of the bank will add the fifth office."

* * *

The Long Island Trust Company of Garden City, L. I., N. Y., is proposing a further increase in its capital stock and total number of shares. Frederick Hainfeld, Jr., President, states that the board of directors is recommending the issuance of 16,240 new shares of the par value of $10 each. Subject to the approval of the stockholders at a special meeting held on Nov. 27, 2,240 shares of the new issue were declared as a stock dividend to stockholders of record Nov. 30, at the rate of 2% on the 112,000 shares presently outstanding. The remaining issue of 14,000 shares will be sold prior to Dec. 14, at $32 per share to stockholders of record Nov. 16 on a pro rata basis of one share of new stock for each eight shares of stock held. A. M. Kidder & Co. of New York will be the underwriters.

The new stock issue and stock dividend will bring the total capital of the Long Island Trust Company to $1,282,400 and surplus to $1,688,000, a total of $2,970,400. It is estimated that capital, surplus, undivided profits, and valuation reserves by Dec. 31, 1956, will total approximately $3,870,400. In its statement of condition as of Sept. 30, 1956, the company has shown advances, reporting a gain of more than 12% in total deposits since Sept. 30, 1955—an increase of $5,111,805.43—bringing the total to $40,483,492.93. Total assets, as of Sept. 30, 1956, were $45,072,647.86, an increase during the 12-month period of $5,671,853.90.

* * *

The **West Side Trust Company of Newark, N. J.**, in making known that it has acquired through merger the **Bank of Commerce of Newark**, states:

"On Nov. 21 The Bank of Commerce at 313 Market Street, Newark, became our fifth banking office serving Newark and Essex County. The merged institutions have capital accounts of more than $3,800,000.00 and total resources in excess of $50,000,000.00. This will enable us to render even more effective banking services to the individuals and businesses of the community. The officers and personnel of The Bank of Commerce have been retained."

Details of the plans incident to the merger of the two banks appeared in our issues of Oct. 25, page 1759 and Nov. 6, page 1982.

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Under the charter of the **Lebanon National Bank of Lebanon, Pa.**, with common stock of $225,000, and under the title of the **Lebanon Valley National Bank**, the **Annville National Bank of Annville, Pa.**, capital $200,000 and the **Palmyra Bank & Trust Co. of Palmyra, Pa.**, with capital of $150,000 were consolidated as of Oct. 31 with the **Lebanon National Bank.** At the effective date of the consolidation, the consolidated bank reported a capital stock of $575,000 in 57,500 shares of common stock (par $10 each); surplus of $1,425,000 and undivided profits of not less than $823,000.

* * *

The directors of the **Peoples First National Bank & Trust Company of Pittsburgh, Pa.**, have declared an increased quarterly dividend of 60 cents per share, payable Jan. 2, 1957, to stockholders of record Dec. 14, 1956, and also an extra dividend of 25 cents per share, payable Dec. 22, 1956, to stockholders of record Dec. 7.

* * *

The Bank of Virginia of Richmond, Va., is adding another trust officer to its trust department, Thomas C. Boushall, President, announced on Nov. 19. John T. McGrann has been elected Assistant Trust Officer by the board of directors of the bank and will report for his new duties Dec. 3 as Administrative Officer under the direction of Reginald C. Short, Vice-President and Trust Officer, who heads the bank's trust department. Admitted to the Ohio Bar in June 1953, Mr. McGrann formerly was Assistant Trust Officer of The First National Bank of Cincinnati.

* * *

Charles T. Fisher, Jr., President of **The National Bank of Detroit, at Detroit, Mich.** announced on Nov. 27 that of the 263,400 shares of common stock offered to stockholders at $52 per share, subscription have been received for 258,534 shares. Mr. Fisher stated that he had been advised that the underwriters, headed by Morgan Stanley & Co., have sold the 4,866 unsubscribed shares at $58½. The offering of the 263,400 shares of stock was noted in our Nov. 8 issue, page 1982.

* * *

The recently enlarged capital of the **Republic National Bank of Dallas, Texas**, increased from $30,600,000 to $32,130,000 by a stock dividend of $1,530,000, became effective Nov. 8. The action incident to the enlargement of the capital was noted in our issue of Nov. 8, page 1982.

Arthur Loewenheim

Arthur Loewenheim, associated with Abbott, Proctor & Paine, New York City, passed away November 20th at the age of 74.

Continued from first page

As We See It

and without graduation through membership in the Commonwealth, central and southern Africa could not advance to democratic independence without disaster.

"Britain has no ambitions of imperial expansion. The idea that her policy in the Middle East is based on 'colonialism' is a myth carefully nurtured by the Communists and their cat's-paws such as Colonel Nasser. On the contrary, it was the end of the last vestige of British 'colonialism' in Egypt—the voluntary evacuation of the Suez Canal base by British troops ahead of time—which was the signal for Nasser to reveal himself in his true colors and defy the world by seizure of the canal.

"Likewise, it had been the end of British 'colonialism' in Palestine in 1947 that unleashed the Israeli-Arab war which has never since been extinguished. We cannot put back the clock, and its hands still move on. Not 'colonialism' but the continued retreat from it is going to produce the dangerous problems and crises of tomorrow in international affairs."

One must agree, of course, that Mr. Hodson's account of the position in which Britain finds itself in the world today is by and large in accord with the facts. Britain through the centuries developed in a world as it then existed and as it evolved through those centuries. It had much to do with the way the affairs of large parts of the world were conducted, and its influence on the whole was constructive. By good fortune or bad the life and future of the "tight little isle," as Britain has been called, naturally, perhaps inevitably, became extensively intertwined with the fates of large sections of the globe in various parts of the world. Some of these relations in the course of time became vital to the continued life and health of Britain.

But times change and so do international relations. All this is undoubtedly well known and understood in informed British circles. The nation has been remarkably successful in adapting itself to changing times and changing philosophies. Great credit must likewise be given British leaders for the constructive work in guiding and assisting many backward peoples toward freedom and self-government.

Freely Conceded

All this is freely and gladly conceded. It is likewise plain enough that Britain's work of retreating gracefully and constructively from colonialism as it has been historically known has been enormously complicated by the machinations of the Kremlin which, as everyone knows, has no real interest at all in decolonializing any part of the globe except as the process might advance Russian interests. Remove Russian influence from the Middle East, for example, and the British would have much less difficulty in "retreating" from colonialism in that part of the world.

All this, however, leaves quite open the question of the best procedure to accomplish stated purposes. All that Mr. Hodson and the rest say about the dependence of Britain upon Suez and Middle East oil is obviously true. The real question has to do with the best method of protecting and conserving these interests. Mr. Hodson seems to think, though he does not say so in so many words, that Britain was right and the United States wholly wrong about the way to deal with the Suez situation. Yet results to date certainly do not seem to suggest that Sir Anthony Eden and his colleagues will win the plaudits of realistic historians. Britain apparently badly misjudged both the determination of fanatical Egyptians and the force and drift of world opinion.

Mr. Hodson is quite correct in his belief that "retreat from colonialism" will present many problems and dangers in the years ahead. This probably will be most painfully true in all those regions where the Kremlin has an interest in making it the more difficult. Yet it would appear inevitable that the retreat take place—as Mr. Hodson apparently realizes. In point of fact it has been taking place for decades—and more often than not with very considerable success. It has, however, in more than one case left behind it festered feelings which make the problem of dealing with former colonies the more difficult, not only for Britain or the other former imperialists but for other nations as well.

Much Yet to Be Done

There is, unfortunately, a good deal of retreating from colonialism left to be done, and there are a good many areas where the scars of former colonialism have not fully healed. It was doubtless just this that Lenin had in mind when he is said to have remarked that "we shall conquer the west through the east." But, however that may be, it is in this field that the most difficult and delicate world problems will be encountered during the decades just ahead. During that time we shall see whether Britain can maintain her position in the world, and at the same time ease the tensions which now exist in many parts of the world where her empire lay. And through it all the United States must live and find a constructive way to make its influence felt and at the same time avoid, if that be possible, involvements which could be exceedingly expensive.

We shall see, too, whether the nations of the world can and will work through the United Nations to reach ends which otherwise might be elusive. Great hopes were entertained at one time by a good many that the League of Nations could function in this way. There are, or at least were, a good many who held that it failed primarily because the United States held aloof. None of the major powers have remained outside the United Nations, but the question is still an open one as to whether that organization will be permitted to function as its organizers hoped it would. Russia has always been contemptuous of it; now the Suez actions of Britain and France have further damaged its prestige. It remains to be seen whether it can survive many more such incidents.

Present-day world problems are very real problems. They will require patience and prescience in generous portions.

Continued from first page

Previewing 1957 Outlook

for the year are available. This is usually early enough for Congress' use in considering and passing economic legislation.

The Joint Economic Committee Staff projects long-term growth trends for the economy, based upon past high employment years. We make no value judgments about what should be the level or rate of rise in the trend. Rather we set forth explicit statements of assumptions — using largely historical relationships. These take into consideration actual and expected changes in population, labor force, hours of work, output per man-hour, and likely demand by consumers, business, and governments. In 1954 we published one result of these continuing studies, entitled: "Potential Economic Growth of the United States During the Next Decade." From time to time the Committee finds it useful to compare the current and short-run outlook with this long-term trend. The Employment Act, itself, is rather specific in calling for similar measurements.

GNP in 1957

Continuation of the long-term growth trend would call for gross national production of about $420 billion in 1957, expressed in 1956 prices. This figure may be compared with total production of about $412 billion now estimated for this year when the general economic tempo averaged slightly above the long-run growth trend.

Will this estimate for 1957 be achieved or exceeded?

Business activity continues to expand in the fourth quarter of 1956. The majority of analysts expect this expansion to continue into 1957. Even if the economy leveled off somewhat later in the year, 1957 as a whole still could average somewhat above the long-run trend since the year starts above trend.

The $20 billion figure is stated in stable, average 1956, prices. But prices have continued to rise throughout 1956. A widespread expectation among businessmen and economists is that prices will rise still further in 1957. If the rate of price rise approximates in 1957 that of the last year, Gross National Product in current 1957 prices might range between $430 and $440 billion. The exact total would depend on the extent to which the economy stays above the long-run growth trend and the amount of the price rise.

Before proceeding further, I want to make clear that this analysis assumes there will be no significant changes in the international situation. The growing revolt of the satellite countries and the disturbances in the Near East could have serious economic impacts. The effects on the economy of an interruption in the flow of vital raw materials and increased military and foreign aid spending cannot easily be assessed at this time.

Potential Output in 1957

I have indicated that a Gross National Product of about $420 billion in 1957, expressed in 1956 prices, would be consistent with continuation of a long-term growth trend based on high employment years. This figure compares with a trend value for 1956 of about $407 billion, or about $5 billion less than the actual output of $412 billion now expected.

The labor force in 1956 appears to have averaged about 1.3 million more than in 1955; about 400,000 above the average annual rate of increase of 800,000 to 900,000. If in 1957 the increase in the labor force tapers off in line with long-term ratios to population of working age, the increase between 1956 and 1957 may be only 400,000 or 500,000. However, the normal increment cannot be ruled out if demand continues to grow at the tempo of the past two years.

Average hours of work, according to Census data, have been very little different in 1956 than in 1955 if we take annual averages. If hours decline moderately in 1957 in line with longer-term trends, total man-hours worked might increase next year up to 1%.

Output per man-hour in the private economy has increased in the long-term by between 2 and 3% per year. In the past ten years the rate has averaged somewhat higher—ranging up to 3% or better. In 1956, the rate of increase seems to be less than average, perhaps as little as 1%. Indeed, some preliminary estimates show no change in output per man-hour between 1955 and 1956 for industry as a whole. This is partly because of shifts in composition of output among industries and among products. If output per man-hour rises in 1957 in line with long-term trends, then this, combined with changes in man-hours worked, would raise output by between 2.5 and 3.5%.

We have indicated that in 1955 and 1956 total national production has remained about 1% above the long-term trend. Also, prices have been rising throughout 1956 and by year's end will be above the year's average—probably by 1%.

If prices continue to rise, with output in real terms only about in line with the long-term trend, Gross National Product might average $430 billion in current 1957 prices. On the other hand, if the economy continues to operate above the long-term growth trend of high employment years as during the past two years, Gross National Product in 1957 prices might rise as high as $440 billion.

To see where within the range of these several figures the economy might operate in 1957 it will be helpful to evaluate the demand for goods and services that may develop.

Government Expenditures

First, what about the demand outlook for goods and services by Government—Federal, State, and local?

Government budgets for the coming fiscal year only now are taking shape. Major decisions have yet to be made. But looking forward to calendar 1957 it is unlikely that reduction in Federal spending will be possible. Price increases alone suggest, on the contrary, some rise in outlays even if present programs are unchanged. Programs, however, are growing and increases in expenditures to carry on these programs are anticipated. For example, although treated as a special trust fund outside the administrative budget, Federal aid to highways may increase by about $600 to $800 million in fiscal 1957-58. This increase should have a moderate impact on construction activity in calendar 1957, although some of these expenditures will be for site acquisition rather than current production, and some will be offset by reductions in toll road construction.

Defense spending may rise by as much as $2 billion in calendar 1957. In view of the present international situation we cannot rule out the possibility that defense and foreign aid spending might increase even more. Outlays under the combined soil bank and price support programs for agriculture may increase somewhat over calendar 1956. Interest on the public debt will increase $200 million or $300 million.

Although many issues remain to be resolved, we cannot overlook the possibility that a program of Federal aid to education might be adopted by the next Congress, with some effect on expenditures before the end of 1957. In sum total, Federal spending is likely to increase from $2 billion to $3 billion in calendar 1957.

Part of this increase will show up in the form of transfer payments or State and local expenditures through grants.

State and local expenditures for goods and services have been rising by about $2 billion to $3 billion per year. This rate of increase is expected to continue through 1957 and may even accelerate somewhat during the year as the new highway program gets underway. A substantial backlog of schools and other facilities still remains to be constructed by State and local governments. Wage and construction costs, which affect State and local budgets, are expected to rise further.

Total Federal, State, and local purchases of goods and services could rise next year by between $4 billion and $6 billion. Within this range the best estimate to use until further information becomes available in January would be about $5 billion. This could bring the total government demand for current production to about $85 billion in 1957.

Consumers' Purchases

The second large category of demand—the biggest and most important of all—is consumer purchases. Among the factors one must consider in evaluating prospective consumer demand are: changes in disposable personal incomes; changes in prices; population increases; credit conditions; and attitudes of consumers themselves, which may reflect the influence of other fatcors. In total, if incomes, prices, and population continue upward at recent rates, and automobile sales improve somewhat from 1956 levels, consumer demand might rise by $14 billion to $18 billion in 1957. This would imply that savings would be a somewhat smaller percentage of disposable income than the 7.4% prevailing in mid-1956, but above the 6.1% of 1955.

Business Investment

The third category of demand is business investment in the form of plant, equipment, residential housing, and inventories. Traditionally, of course, fluctuations in this category of demand reflected or were the cause of great cyclical movements in the economy. In recent years, only inventories have exhibited this old trait. Fixed investment has been remarkably stable compared to earlier periods. In the 1948-49 recession fixed investment in construction and producers' durable equipment, in constant prices, declined less than 7%, and actually rose slightly in the 1953-54 recession, compared to declines of almost 25% in the 1929-30 period, and about 20% in 1937-38. Between 1929 and 1933, the decline was about 74%. This reduction in the amplitude of fluctuations in fixed investment has contributed greatly to the economic stability of the post-World War II decade.

During the past year, fixed investment has accounted for about 25 to 30% of the increase in Gross National Product, although it is only about 15% of Gross National Product.

What does the business investment situation for 1957 look like today? My own inclination for the present is to assume some further, but slight, rise into the first half of 1957, and then a leveling off, so that next year would average about 8 to 10% above 1956. Much of this increase would be a reflection of rising prices.

Why expect a further rise?

The Commerce-SEC survey of business plans indicates a continued rise through the fourth quarter of 1956 in the plant and equipment part of fixed investment. The somewhat similar annual McGraw-Hill survey of last spring presented an optimistic picture for spending in 1957. I noted that Mr. Frankel, managing news editor of "Electrical World", told the New York Society of Security Analysts recently that electric utilities in 1957 will increase their spending on new facilities by 14% over this year.

Furthermore, new orders for capital equipment and construction contract awards, both of which precede actual spending, have been on a higher level than in 1955.

On the other hand, some indicators point to a leveling off later in the year. Although new orders for capital equipment rose sharply from 1955 to 1956, they have fluctuated for several months on a plateau. Also, in recent months construction contract awards, seasonally adjusted, have been declining.

Some adverse factors are appearing on the horizon so that we must be prepared to change this generally optimistic appraisal of the private investment outlook for 1957 as additional business capital budget information becomes available. For example, what will be the effect on business investment plans of the relatively tight money market? Monetary theory rests on the assumption that restrictive credit policy will have a tendency to cause businessmen to eliminate or postpone capital investments of a marginal character.

In a similar manner, recent rises in costs may have been greater than the rise in prices of finished goods, if profit margins on sales narrowed as recent figures indicate. Again, narrowing of profit margins usually has been thought to exercise a depressing influence on investment. Prices of capital equipment may have been rising faster than labor costs — another factor working against a continued rise in the rate of capital spending.

The possible influence over the next year or two—the short run—of past and planned increases in production capacity seem to exceed the rise in output and demand. The long-run economic basis for the added capacity seems well justified, to say nothing about the impelling military considerations. I am wondering, however, about the possibilities of temporary excess capacity and its effect on the short-run outlook.

1 Million Housing Starts in 1957

What about the housing outlook? In 1956 housing starts are expected to be about 15% below 1955, or about 1.1 million, compared to more than 1.3 million in 1955. However, dollar outlays for residential construction in 1956 are only about 7% below 1955, reflecting increases in prices as well as in expenditures for alterations. Costs this year are about 5% above 1955 and the typical new house is bigger.

In 1957, trends now point to about the same level of starts as this year or slightly less—about 1 million. Rising costs, continued larger homes, and increases in outlays for additions and alterations should result in slightly higher dollar expenditures for total residential nonfarm construction than in 1956. Deflated to 1956 cost levels, however, outlays may be slightly lower.

For construction not included in plant outlays or residential, the outlook seems to be for slightly higher dollar levels than this year, though possibly down slightly in real terms. If farm income is somewhat improved, as now seems possible, farm construction may rise, but this, of course, is a small item. Manufacturers' shipments of farm machinery and equipment in 1956 are running 20 to 25% below 1955. These outlays could improve moderately in 1957 if farm income turns up. It should be said that the farm outlook for 1957, on the whole, appears more favorable compared with any time during the last several years.

Inventory Build-Up Trend

Business inventories have been building up rather rapidly over the past year. Net change in inventories amounted to $4.1 billion in the first quarter, $3.5 billion in the second, and $2.0 billion in the third. The rise in the fourth quarter may be higher than the third —mainly because steel and auto inventories will be steady to rising rather than falling as in the third quarter. In manufacturing, the inventory build-up appears to have affected all types of goods, from raw materials to finished products.

Durable goods producers have experienced rising trends in both the ratio of unfilled orders to sales and in the stock-sales ratio. From September, 1955 to September, 1956, for example, the stock-sales ratio rose from 1.8 months to 2 months, while the unfilled orders-sales ratio rose from about 3.5 months to about 4.5 months.

Among nondurable producers, inventories have been rising also. At the end of September, 1956, for example, the stock-sales ratio was 1.53 compared to 1.44 at the end of September, 1955. This was lower, however, than in other recent years.

These trends in inventory build-up seem likely to continue, though the rate of build-up may be moderated somewhat due to the increase in the cost and restricted availability of funds for inventory purposes. Some moderation would be healthy, holding down or reducing stock-sales ratios as sales rise in coming months. Any slackenig in sales could bring excessive stock-sales ratios very quickly—leading to a reversal of inventory policy. We see no evidence of such a development as yet but in the present state of our knowledge of inventories this situation should be watched constantly.

International Business Spending

Turning to the international aspect of business spending we note that world production and trade continued to expand in 1956. Rising prices have given evidence of demand pressures in many, if not most, countries. Production gains have been limited by capacity bottlenecks and labor shortages. For the past two years, many countries have applied general monetary and fiscal restraints to reduce demand pressures.

The effects of domestic and international conditions have been reflected in a shift of net foreign investment from a minus one-half billion dollars in 1955 to an annual rate of $1.7 billion in the third quarter of 1956. Unless conditions abroad worsen sharply, net foreign investment should continue at between $1 billion and $2 billion per year in 1957.

Demand Versus Potentials

In total, it appears that demand in 1957 should be sufficient to bring Gross National Product to the $430 and $440 billion range. This assumes, of course, that prices will continue to rise in 1957 as most analysts now expect. Most projections for 1957 include expectations of further price rises of about the same order of magnitude in 1957 as in the past year —that is, an average rise of between 2 and 3%.

Therefore, as of mid-November, 1956, one would expect a moderate rise in real output in 1957 from current levels, and a continued moderate rise in prices.

Policy Problems and Implications

No discussion of the economic outlook would be complete without examination of Federal fiscal and monetary policies. Since the end of World War II and the enactment of the Employment Act of 1946 Federal fiscal and monetary policies have, on the whole, contributed to economic stability and growth. There is, I believe, a continually increasing appreciation of the relationship of Federal expenditures and receipts, and credit and debt management to the level of and changes in economic activity.

During the past 18 months, the Federal Government, including the Federal Reserve, has pursued policies of restraint in an effort to curb mounting inflationary pressures. In large part, these policies have taken the form of monetary restraints, reflected in the successive hikes in rediscount rates and in holding the tax line—applying the emerging budget surplus to Federal debt reduction.

In the minds of many, the decisions as to tax policy and expenditure policy rest on the size of the prospective surplus in the Federal budget. At present tax rates, in fiscal 1957 the consolidated cash budget surplus — including trust fund accumulations—is likely to be about $4 billion, not much different from fiscal 1956. For fiscal 1958 the cash surplus might range somewhat higher if we assume continuation of present trends in the economy as a whole. Traditionally, however, greater stress has been placed upon the narrower administrative budget. Present indications point to an administrative budget surplus for fiscal 1958 of around $2 billion, assuming increases in expenditures as already noted, no reduction in present tax rates, and high levels of economic activity. The administrative surplus in the current fiscal year ending next June 30, however may fall as low as $1 billion.

These figures, of course, are highly conjectural at this point and represent our own judgment. Estimates of both expenditures and revenues under existing or modified programs are subject to wide range of variation this far in advance of fiscal year 1958.

A surplus of the magnitude now expected in 1957, particularly on a consolidated cash budget basis, is interpreted by some as a clear indication of the need for and possibility of general tax reduction. It should be noted, however, that insofar as this surplus results from continued economic expansion with continuing upward price pressure, it represents an important restraint. General tax reduction, under such circumstances, therefore, would serve only to increase inflationary pressures, and force even greater reliance on monetary stringency.

Policies Should Business Slacken

On the other hand, if a slackening in the pace of economic activity should become apparent during the coming year, the Federal Reserve presumably would be able to move rapidly to reverse the present policy of restraint. If such action were to prove inadequate, reflecting a more persistent and more widespread downturn in activity, tax reduction would be advisable. It might be noted that a change-around in monetary policy may take less time than reversal of fiscal policy, but the effective lead time required may be greater. Thus, both areas of policy must be flexibly used.

Corporate income tax rates and certain excise rates are scheduled, under present law, to decrease on April 1, 1957. The revenue losses from these automatic reductions are at present estimated to be $2.0 billion and $850 million, respectively, for the fiscal year ending June 30, 1958. Accordingly, an explicit decision with respect to tax policy is required by March 31.

In light of the current problems of small business, it is possible that tax revisions, along the lines suggested by the Cabinet Committee on Small Business, or a number of alternative plans previously suggested by members of the Congress, will be proposed in the next session of Congress in lieu of the scheduled reductions. Proposals for changes in the present excise system also may be anticipated. The timing of these changes, however, should fit into the general economic and revenue needs of the country.

Some analysts have read into the present situation and outlook another problem which neither monetary nor fiscal policy is well equipped to solve. This is a cost-price-push condition which it is felt could develop to the point that prices and unemployment may be rising at the same time. Economic theory generally says that such a circumstance cannot prevail for more than a short period of time, and must, in effect be self-correcting. If such a correction were to occur, however, it is important that monetary and fiscal policies be so directed as to prevent the economy from spiraling downward.

Joins F. I. Du Pont

(Special to THE FINANCIAL CHRONICLE)

CHICO, Calif. — Gerald B. Leethem has become associated with Francis I. du Pont & Co. He was formerly local representative for Mutual Fund Associates.

Form Amer. Underwriters

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—American Underwriters, Inc. has been formed with offices at 3010 Hudson Street to engage in a securities business. Officers are Virgil Dickman, President; Hugh Shockley, Vice-President, and Tyler F. Dixon, Secretary-Treasurer.

Anglo-American Secs.

Anglo-American Securities, Inc. is engaging in a securities business from offices at 130 West 42nd Street, New York City.

Martin Balsam Opens

BROOKLYN, N. Y. — Martin J. Balsam has opened offices at 1656 58th Street to engage in a securities business.

Saul Berger Opens

Saul Berger is conducting a securities business from offices at 93 Avenue B, New York City, under the firm name of Family Mutual Funds & Securities Company.

Bishop Opens Office

SYRACUSE, N. Y.—E. Lawton Bishop is conducting a securities business from offices in the Lincoln Bank Building.

Ludwigsen Forms Co.

Clarence W. Ludwigsen is engaging in a securities business from offices at 30 Broad Street, New York City, under the firm name of C. W. Ludwigsen Company. Mr. Ludwigsen was formerly with Edward A. Purcell & Co.

McGinty & Edman Open

(Special to THE FINANCIAL CHRONICLE)

FAIRFIELD, Calif. — James A. Edman and Thomas J. McGinty, Jr. have formed McGinty & Edman with offices at 431 Texas Street to engage in a securities business.

Midwest Secs. Co.

FT. WORTH, Tex. — Midwest Securities Co. has been formed with offices at 4500 Hampshire Boulevard. Officers are Vernon E. Smith, President; Thomas L. Miller, Vice-President; and G. Smith, Secretary-Treasurer.

Schwartz Forms Co.

BAYSIDE, N. Y.—Sol Schwartz is conducting a securities business from offices at 220-27 73rd Avenue under the firm name of Personal Security Planning Co.

Randolph House Secs.

Randolph House Securities Corporation has been formed with offices at 22 East 29th Street, New York City, to engage in a securities business.

Murray Schindel Opens

Murray Schindel is conducting a securities business from offices at 217 Broadway, New York City.

John B. Sullivan Opens

John B. Sullivan is conducting a securities business from offices at 135 Broadway, New York City, under the firm name of John B. Sullivan Company.

Two With Reynolds

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—William H. Heckes and Marvin D. Wadley have been added to the staff of Reynolds & Co., 919 Tenth Street.

Revel Miller Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Davis S. Spencer has been added to the staff of Revel Miller & Co., 650 South Spring Street, member of the Los Angeles Stock Exchange.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Aeronautic & Automotive Insurance Agency, Inc.
Nov. 20 (letter of notification) 150,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—For expenses incident to operating an insurance company. **Office**—2561 North Clark St., Chicago, Ill. **Underwriter**—None.

★ Ajax Flexible Coupling Co., Inc.
Nov. 7 (letter of notification) $100,000 of 5% convertible subordinated debentures due Nov. 30, 1976 (convertible at rate of $1,000 of debentures for 80 shares of class B stock from Dec. 1, 1959 to June 30, 1966). **Price**—At par ($1,000 each) and accrued interest. **Proceeds**—For machinery, equipment and working capital. **Office**—Westfield, N. Y. **Underwriter**—None.

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.

★ Arden Farms Co.
Nov. 19 (letter of notification) 5,555 shares of preferred stock. **Price** — At par ($54 per share). **Proceeds**—To liquidate obligations accruing in the regular course of business. **Office**—1900 W. Clauson Ave., Los Angeles, Calif. **Underwriter**—None.

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.

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.

★ Bridgehampton Road Races Corp.
Nov. 20 (letter of notification) 55,075 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For construction, improvements, etc. **Business**—To construct and operate an automobile road racing course. **Address**—P. O. Box 506, Bridgehampton, L. I., N. Y. **Underwriter**—None.

Bridgford Packing Co., Anaheim, Calif.
Aug. 13 (letter of notification) 222,222 shares of common stock (par $1). **Price**—$1.35 per share. **Proceeds**—To pay obligations, purchase equipment, etc. **Office**—1308 No. Patt Street, Anaheim, Calif. **Underwriter**—J. D. Creger & Co., 124 North Bright Avenue, Whittier, Calif.

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.

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.

★ Commercial Discount Corp., Chicago (12/11)
Nov. 21 filed 100,000 shares of 6% cumulative and participating preferred stock. **Price**—At par ($10 per share). **Proceeds** — For working capital, etc. **Underwriters**—Julien Collins & Co. and Cruttenden, Podesta & Co., both of Chicago, Ill.

★ Consolidated Credit Corp.
Nov. 5 (letter of notification) $300,000 of 7% subordinated debenture bonds due Nov. 1, 1966. **Price**—At par (in denominations of $100, $500 and $1,000). **Proceeds**—To make loans, etc. **Business** — Commercial financing and factoring. **Office**—33 West 42nd St., New York 36, N. Y. **Underwriter**—None.

Consumers Cooperative Association, Kansas City, Mo.
Oct. 25 filed 180,000 shares of 5½% preferred stock (cumulative to extent earned before patronage refunds) and 20,000 shares of 4% second preferred stock (cumulative to extent earned before patronage refunds) to be sold directly to members and others by the Association's employees. **Price**—At par ($25 per share). **Proceeds**—For general corporate purposes. **Underwriter**—None.

● 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. Offer is now unconditionally effective, it was announced on Nov. 28.

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**—To be received up to noon (EST) on Dec. 3 at Room 2033, Two Rector Street, New York 6, N. Y.

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 noncumulative preferred stock, first series (par $1), and warrants to purchase 500,000 shares of common stock (par 10 cents) to be offered for subscription initially by common stockholders in units of 25 preferred shares and a warrant to purchase five common shares. **Price**—$25.50 per unit (each warrant will entitle the holder to purchase one common share at any time prior to Dec. 31, 1957 at $2 per share). **Proceeds**—To repay mortgages, to $1,312,500 of five-year 6% sinking fund debentures, and for further acquisitions and working capital. **Underwriter**—To be named by amendment.

Douglas Corp., Fort Collins, Colo.
July 27 filed 4,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds** — For exploration, development and acquisition of properties and for working capital. **Underwriter**—Columbia Securities Co., Denver, Colo.

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.

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 Growth Fund, Inc., Palm Beach, Fla.
Nov. 23 filed 2,000,000 shares of common stock. **Price**—$5 per share. **Proceeds**—For investment. **Underwriter**—Frank B. Bateman, Ltd., Palm Beach, Fla.

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.

NEW ISSUE CALENDAR

November 29 (Thursday)
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
Mohawk Airlines, Inc. ____________ **Debentures**
(Mohawk Valley Investing Co.; Allen & Co., and Gregory & Sons) $694,900
Peerless Life Insurance Co. ____________ **Common**
(Newborg & Co.) $287,500

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.) 153,333 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
Baltimore & Ohio RR. ____________ **Equip. Trust Ctfs.**
(Bids noon EST) $1,380,000
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
Kromex Corp. ____________ **Debentures**
(Lee Higginson Corp. and P. W. Brooks & Co. Inc.) $1,000,000
Kromex Corp. ____________ **Common**
(Lee Higginson Corp. and P. W. Brooks & Co. Inc.) 130,000 shares
Montreal (City of) ____________ **Debentures**
(Bids to be invited) $22,481,000
Northeast Airlines Inc. ____________ **Common**
(Carl M. Loeb, Rhoades & Co.) about $7,500,000
People's Finance Corp. ____________ **Preferred**
(Paul C. Kimball & Co.) $500,000

December 11 (Tuesday)
Commercial Discount Corp. ____________ **Preferred**
(Julien Collins & Co. and Cruttenden, Podesta & Co.) $1,000,000
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 noon CST) $9,500,000
Sierra Pacific Power Co. ____________ **Bonds**
(Bids 11 a.m. EST) $3,000,000

December 12 (Wednesday)
General Telephone Corp. ____________ **Common**
(Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp., and Mitchum Jones & Templeton) 800,000 shares
Texas Eastern Transmission Corp. ____________ **Debentures**
(Dillon, Read & Co. Inc.) $40,000,000

December 13 (Thursday)
Genisco, Inc. ____________ **Debentures and Common**
(Wilson, Johnson & Higgins and Lester, Ryons & Co.) $300,000 debentures and 33,000 shares of stock
May Stores Realty Corp. ____________ **Bonds**
(Goldman, Sachs & Co. and Lehman Brothers) $25,000,000

December 17 (Monday)
Guardian Consumer Finance Corp. ____________ **Preferred**
(Van Alstyne, Noel & Co.) $750,000
Rose Marie Reid ____________ **Common**
(Van Alstyne, Noel & Co.) $2,250,000

December 18 (Tuesday)
Atlantic Coast Line RR. ____________ **Equip. Trust Ctfs.**
(Bids to be invited) $5,340,000

December 19 (Wednesday)
Northern Pacific Ry. ____________ **Equip. Trust Ctfs.**
(Bids to be invited) about $7,700,000

January 7, 1957 (Monday)
Pacific Power & Light Co. ____________ **Bonds**
(Bids to be invited) $20,000,000
Pacific Power & Light Co. ____________ **Preferred**
(Bids may be invited) $9,000,000

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

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
Norfolk & Western Ry. ____________ **Equip. Trust Ctfs.**
(Bids to be invited) about $4,650,000

January 22, 1957 (Tuesday)
Southwestern Gas & Electric Co. ____________ **Bonds**
(Bids to be invited) $10,000,000

January 29, 1957 (Tuesday)
Mountain States Tel. & Tel. Co. ____________ **Debentures**
(Bids to be invited) $35,000,000

Genco Oil Co., Inc.
Aug. 24 (letter of notification) 55,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For oil development expenses. **Office** — 1907 Broadway Ave., Scottsbluff, Neb. **Underwriter** — Edward C. Colling, Scottsbluff, Neb.

General Credit, Inc., Washington, D. C.
Aug. 17 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital. **Underwriter** — None named. Offering to be made through selected dealers.

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. (12/12)
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.

★ Genisco, Inc., Los Angeles, Calif. (12/13)
Nov. 23 filed $300,000 of 12-year 6% subordinated debentures due Dec. 1, 1968 (with stock purchase warrants attached) and 33,000 shares of common stock (par $1), of which 23,000 shares are to be offered for the account of a selling stockholder. **Price** — To be supplied by amendment. **Proceeds**—To retire short-term borrowings, for machinery and tools, and to increase inventories and for other general corporate purposes. **Underwriter**—Wilson, Johnson & Higgins, San Francisco, Calif.; and Lester, Ryons & Co., 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 (in denominations of $100 each). **Proceeds** — For working capital. **Office**—38-15 30th St., Long Island City 1, N. Y. **Underwriter**—None.

★ Guardian Consumer Finance Corp. (12/17-19)
Nov. 26 filed 75,000 shares of 60-cent convertible preferred stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriter**—Van Alstyne, Noel & Co., New York.

★ Handy & Harman, New York
Nov. 9 (letter of notification) 16,000 shares of common stock (par $1) to be offered to employees. **Price**—$6.75 per share. **Proceeds** — For general corporate purposes. **Office**—82 Fulton St., New York 38, N. Y. **Business**—Fabricating, processing and refining of precious metals. **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.

★ Hilton Hotels Corp.
Nov. 23 filed 278,733 shares of 5½% cumulative convertible voting preferred stock, series A (par $25) and 278,733 shares of common stock (par $2.50) to be offered in exchange for outstanding capital stock of Savoy-Plaza, Inc., at the rate of three shares of series A preferred and three shares of common stock of Hilton Hotels for each class A and class B share of Savoy-Plaza. The exchange offer will not become effective unless at least 80% of the class A and class B stock of Savoy-Plaza is tendered.

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.

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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.

International Bank of Washington, D. C.
Sept. 28 filed $1,000,000 of time certificates, series B, C and D. **Price**—At 100% of principal amount. **Proceeds**—For working capital. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

International Postal Supply Co. of New York
Oct. 31 (letter of notification) 4,256.6 shares of capital stock (no par) to be offered for subscription by stockholders at the rate of one new share for each five shares held. **Price**—$17 per share. **Proceeds** — For expansion, research and development of new products, and to purchase equipment. **Office**—634 Prospect Place, Brooklyn, N. Y. **Underwriter**—None.

Investment Corp. of Florida
Aug. 24 filed $515,000 of $60 cumulative preferred stock to be offered in units of $1,000 each and 5,150 shares of common stock to be offered to purchasers of preferred stock at 10 cents per share at rate of ten shares for each preferred share bought. **Proceeds**—For working capital. **Office**—Fort Lauderdale, Fla. **Underwriter**—None.

Jacobs (F. L.) Co.
Oct. 4 filed $3,000,000 of 6% convertible debentures due Nov. 1, 1966. **Price**—100% of principal amount. **Proceeds**—To pay short-term loans and for working capital. **Underwriters**—McLaughlin, Cryan & Co. and Gearhart & Otis, Inc., both of New York.

Joa Co.
July 27 (letter of notification) 110,000 shares of common stock (par 20 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotions and operating capital. **Office**—411 No. Scenic Highway, Lake Wales, Fla. **Underwriter**—Anderson Cook Co., Inc., Palm Beach, Fla.

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 $10.93 per share. Additional shares will be offered at a price equal to the net asset value of the Fund, plus a sales load of 8½% of such price. **Proceeds**—For investment. **Investment Manager** — California Fund Investment Co., of which John Kerr is also President.

Kinney Loan & Finance Co.
Sept. 11 (letter of notification) $150,000 of 6% sinking fund capital debentures, series A, due Sept. 1, 1971. **Price**—At par in denominations of $1,000 each. **Proceeds**—For working capital. **Office** — 911 Tenth St., Greeley, Colo. **Underwriter**—Wachob-Bender Corp., of Omaha and Lincoln, Neb.

★ **Kromex Corp., Cleveland, Ohio (12/10-14)**
Nov. 21 filed $1,000,000 of 6% convertible debentures due 1976. **Price**—To be supplied by amendment. **Proceeds**—To purchase machinery and equipment, to retire indebtedness and for working capital. **Business**—Aluminum and chrome-plated kitchenware and giftware. **Underwriters**—Lee Higginson Corp. and P. W. Brooks & Co. Inc., both of New York.

★ **Kromex Corp., Cleveland, Ohio (12/10-14)**
Nov. 21 filed 130,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters** — Lee Higginson Corp. and P. W. Brooks & Co. Inc., both of New York.

★ **Lance, Inc.**
Nov. 14 (letter of notification) 1,782 shares of class A common stock (par $5) and 2,673 shares of class B common stock (par $5) to be offered to employees in units of two shares of class A stock and three shares of class B stock. **Price**—$52.50 per unit. **Proceeds**—For operating capital. **Office**—1300 S. Blvd., Charlotte, N. C. **Underwriter**—None.

★ **Lawrence Duck Co.**
Nov. 16 (letter of notification) 2,900 shares of 5% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—To acquire outstanding common stock and for general corporate purposes. **Office**—4 Union St., Lawrence, Mass. **Underwriter**—None.

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. **Underwrier**—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 at City Bank Farmers Trust Co., 2 Wall Street, New York 15, N. Y.

★ **Longren Aircraft Co., Inc.**
Nov. 19 (letter of notification) 33,000 shares of common stock to be sold to designated persons. **Price**—At par ($1 per share). **Proceeds** — For working capital. **Office**—24751 S. Crenshaw Blvd., Torrance, Calif. **Underwriter**—None.

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.

● **Lucky Stores, Inc. (12/3)**
Oct. 11 filed 630,000 shares of common stock (par $1.25) to be offered for subscription by common stockholders of Foremost Dairies, Inc. of record Nov. 30. In the ratio of one Lucky Stores share for each 12½ shares of Foremost common stock held (with an over-subscription privilege); rights to expire on Dec. 17. **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.

★ **May Stores Realty Corp. (12/13)**
Nov. 23 filed $25,000,000 general mortgage bonds due Feb. 15, 1977. **Price** — To be supplied by amendment. **Proceeds**—Approximately $18,000,000 is to be used to purchase properties from parent, The May Department Stores Co.; to pay existing indebtedness to parent and for acquisition or construction of additional properties to be leased to parent. **Underwriters**—Goldman, Sachs & Co. and Lehman Brothers, both of New York.

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 at Room 2315, 195 Broadway, New York, N. Y.

● **Michigan Seamless Tube Co.**
Oct. 26 filed 59,336 shares of common stock (par $5) being offered for subscription by common stockholders on the basis of one new share for each four shares held as of Nov. 20; rights to expire on Dec. 6. **Price**—$16 per share. **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.

★ **Mid States Finance Co.**
Nov. 20 (letter of notification) 1,000 shares of preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—656 East Broadway, Alton, Ill. **Underwriter**—None.

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. (12/3-7)**
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) (12/10)**
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 determined by competitive bidding. Probable bidders: Shields & Co., Halsey, Stuart & Co. Inc., Savard & Hart and Salomon Bros. & Hutzler (jointly); Lehman Brothers, White, Weld & Co., Eastman Dillon, Union Securities & Co., and Blyth & Co., Inc. (jointly). **Bids**—Expected to be received on Dec. 10.

★ **Mutual Income Foundation, Columbus, Ohio**
Nov. 23 filed 175,000 shares of beneficial interest and $5,000,000 of monthly purchase plan certificates. **Price**—At market. **Proceeds**—For investment.

National By-Products, Inc.
June 19 (letter of notification) 2,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To pay Federal estate taxes. **Office**—800 Bankers Trust Bldg., Des Moines, Iowa. **Underwriter**—T. C. Henderson & Co., Inc., Des Moines, Iowa.

National 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)**
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**—Indefinitely postponed.

★ **Norfolk & Carolina Telephone & Telegraph Co.**
Nov. 14 (letter of notification) 2,000 shares of common stock to be offered for subscription by stockholders on a one-for-five basis. **Price**—At par ($100 per share). **Proceeds**—For the retirement of a short-term note and other debts and additional new plant. **Underwriter**—None.

Northeast Airlines, Inc. (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 cor-

porate 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**—The two received up to 11 a.m. (EST) on Oct. 30 were rejected.

Orefield Mining Corp., Montreal, Canada
Oct. 15 filed 900,000 shares of capital stock (par $1), of which 200,000 shares are now outstanding. **Price**—To be supplied by amendment. **Proceeds** — For exploration costs. **Underwriter**—To be named later. Michael Tzopanakis, of Miami, Fla., and Denis Colivas, of Montreal, Canada, are large stockholders.

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. (12/3-7)**
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.

Pigeon Hole Parking of St. Louis, Inc.
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. (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. **Office**—Denver, Colo. **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.

★ **Priam Securities Corp.**
Nov. 16 (letter of notification) 8,099 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For investments. **Business** — A securities holding corporation. **Office** — 249 West 111th St., New York 26, N. Y. **Underwriter**—None.

Public Service Electric & Gas Co. (12/5)
Nov. 14 filed 1,000,000 shares of common stock (no par). **Price** — To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

Puerto Rican Jai Alai, Inc.
July 27 filed $1,500,000 of 12-year 6% first mortgage bonds due 1968, and 300,000 shares of common stock (par $1) to be offered in units of a $500 bond and 100 shares of stock. **Price**—May be $675 per unit. **Proceeds** — For construction of fronton and related activities. **Office**—San Juan, Puerto Rico. **Underwriters**—Crerie & Co., Houston, Texas; Dixon Bretscher Noonan, Inc., Springfield, Ill.; and Aetna Securities Corp., New York. **Offering**—Date indefinite.

Pyramid Development Corp., Washington, D. C.
July 27 (letter of notification) 300,000 shares of common stock (par 10 cents), of which 25,000 shares are to be reserved for issuance upon exercise of options. **Price**—$1 per share. **Proceeds**—To purchase real property and mortgage notes. **Underwriter**—Coombs & Co. of Washington, D. C.

Pyramid Productions, Inc., New York
Sept. 27 filed 220,000 shares of common stock (par $1), of which 200,000 shares are to be offered to public and 20,000 shares issued to underwriter. **Price**—$5 per share. **Proceeds**—To retire $125,000 of outstanding 15% debentures as well as a $173,180 debt to Trans-Union Productions, Inc.; and for working capital. **Business**—Television releases. **Underwriter**—E. L. Aaron & Co., New York.

Redi-Food Co., Inc.
Oct. 8 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—To purchase plant and equipment. **Office**—2505 Butler Place, New York City. **Underwriter**—Hopp & Co., Passaic, N. J.

★ **Rose Marie Reid, Inc. (12/17-21)**
Nov. 26 filed 250,000 shares of common stock (par $1), of which 80,000 shares are for account of company and 170,000 shares for selling stockholders. **Price** — $9 per share. **Proceeds**—To increase inventories, finance expansion and for working capital and other corporate purposes. **Business**—Manufacture and sale of swim suits. **Office**—Los Angeles, Calif. **Underwriter**—Van Alstyne, Noel & Co., New York.

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.

● **Sierra Pacific Power Co. (12/11)**
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**—Rescheduled to be received up to 11 a.m. (EST) on Dec. 11 at 49 Federal Street, Boston, Mass. Halsey, Stuart & Co. Inc., on Nov. 14, submitted a bid of 100.02% for 5⅝s, 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.

★ **Skelly Oil Co., Tulsa, Okla.**
Nov. 27 filed $3,000,000 of participations in company's Thrift Plan for its employees, together with 46,154 shares of common stock which may be purchased under the plan.

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.
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.

★ **Temprite Products Corp.**
Nov. 20 (letter of notification) 40,000 shares of common stock. **Price** — At par ($5 per share). **Proceeds** — For working capital. **Office**—West Maple Road, Troy, Oakland County, Mich. **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. (12/12)**
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 Corporations of Buffalo, Rochester and Lockport, 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 acquires at least 85% of the Abstract stock. **Price**—To be supplied by amendment. **Proceeds** — To acquire Abstract stock. **Underwriter** — None.

★ **Trans-Canada Pipe Lines, Ltd.**
Nov. 26 filed $80,000,000 (Canadian) of subordinated debentures due 1986 and 4,000,000 shares of common stock (par $1-Canadian) to be offered in units of $100 of debentures and five shares of stock. **Price**—$150 per unit. **Proceeds**—For new construction. **Underwriters**—In United States: Lehman Brothers, Stone & Webster Securities Corp. and White, Weld & Co. In Canada: Nesbitt Thomson & Co. Ltd.; Wood, Gundy & Co. Ltd.; McCloud, Young, Weir & Co., Ltd.; and Osler, Hammond & Nanton, Ltd. **Offering**—Expected in the last half of January.

★ **Trans-Western Drilling, Inc.**
Nov. 15 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—Ten cents per share. **Proceeds**—For oil and gas operations. **Office**—1637 So. Broadway, Denver, Colo. **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 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. (12/5-6)**
Nov. 14 filed $6,000,000 convertible subordinated debentures due Dec. 1, 1971. **Price**—To be supplied by

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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'Conner, 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.

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.

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.

★ Baltimore & Ohio RR. (12/10)
Bids will be received by the company at 2 Wall St., New York 5, N. Y., up to noon (EST) on Dec. 10 for the purchase from it of $1,380,000 equipment trust certificates, series HH, dated Jan. 1, 1957 and due in 15 equal annual instalments to and including Jan. 1, 1972. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

★ Carolina Telephone & Telegraph Co.
Nov. 16 it was reported company has applied to the North Carolina P. U. Commission for authority to offer to its common stockholders an additional 58,310 shares of common stock on the basis of one new share for each four shares held. **Price**—At par ($100 per share). **Proceeds**—To reduce bank loans and for new construction. **Underwriter**—None. Southern Bell Telephone & Telegraph Co. in February, 1956, sold its rights to 14,464 shares (of a 66,640 share offering to stockholders) to R. S. Dickson & Co.

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.

★ Cincinnati, New Orleans, Texas & Pacific Ry.
Bids are expected to be received by the company late in January for the purchase from it of approximately $4,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

★ Consolidated Freightways, Inc.
Nov. 21 it was announced company has applied to the Interstate Commerce Commission for authority to issue and sell 250,000 shares of common stock (par $5). **Proceeds**—Together with funds from sale of up to $8,436,740 long debt securities, to acquire six Eastern lines. **Underwriter**—Blyth & Co., Inc., New York and San Francisco (Calif.).

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 will be received by the company up to noon (CST) on Dec. 11, at Room 301, 135 East 11th St., Chicago 5, Ill., for the purchase from it of $9,300,000 equipment trust certificates, series 43, to be dated Jan. 1, 1957 and to mature in 30 equal semi-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.
Nov. 28 it was announced stockholders of record Nov. 16, 1956, are being 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.

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.

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 (probably first to common stockholders). 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). **Bids**—Expected in January.

★ Norfolk & Western Ry. (1/15)
Bids are expected to be received by the company on or about Jan. 15 for the purchase from it of approximately $4,650,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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. (12/19)
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.

★ Pacific Power & Light Co. (1/7)
Nov. 21 it was reported company plans to issue and sell $20,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Bear, Stearns & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc. and White, Weld & Co. (jointly); Eastman, Dillon, Union Securities & Co. **Bids**—Expected to be received on Jan. 7.

★ Pacific Power & Light Co. (1/7)
Nov. 21 it was reported company plans to offer publicly an issue of 90,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriter** — May be determined by competitive bidding. Probable bidders: Lehman Brothers; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected to be received on Jan. 7.

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 1811, 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.

★ Security National Bank of Huntington, N. Y.
Nov. 21 it was announced stockholders have approved an offering to stockholders of 19,784 additional shares of stock (par $5) on the basis of one new share for each 25 shares held as of record Nov. 20, 1956. **Price**—$30 per share. **Proceeds**—To increase capital and surplus.

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.

★ Socony Mobil Oil Co.
Nov. 27 it was announced the company plans early in 1957 to offer additional capital stock to its stockholders on the basis of not more than one new share for each 10 shares held (at Sept. 30, 1956 there were outstanding 43,727,585 shares). The financing may also include an offering of debentures not exceeding $100,000,000. **Proceeds**—For exploration and development costs and for plant expansion. **Underwriter**—Morgan Stanley & Co., New York.

Southern Counties Gas Co. of California
Jan. 30 it was reported company may in the Fall offer $15,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane.

Southern Electric Generating Co.
May 18, it was announced that this company, 50% owned by Alabama Power Co. and 50% by Georgia Power Co., subsidiaries of Southern Co., plans to issue debt securities. **Proceeds**—Together with other funds, to construct and operate a $150,000,000 steam electric generating plant on the Coosa River in Alabama. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; 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.

★ Southern Ry.
Bids are expected to be received by the company early in January for the purchase from it of about $5,600,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Southwestern Gas & Electric Co. (1/22)
Nov. 21 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay approximately $6,000,000 of bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Salomon Bros. & Hutzler; Blyth & Co., Inc.; Lehman Brothers; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected to be received on Jan. 22.

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.

● United States National Bank of San Diego, Calif.
Nov. 9 it was announced Bank plans to offer to its stockholders 75,000 additional shares of capital stock (par $10) on the basis of one new share for each 2⅔ shares held as of Nov. 15, 1956; rights will expire on Dec. 20. **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.

★ Wabash RR.
Bids are expected to be received by the company early in January for the purchase from it of approximately $2,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

Incorporated Fund Assets Up 80%

More than 80% increase in net assets of Incorporated Income Fund, from $26,700,000 to $48,700,000, during the fiscal year ended Oct. 31, 1956, is shown in the just issued annual report.

Dividends paid to stockholders from income account equalled a new high of 52 cents per share. Additional net security profits of 50 cents per share were realized and made payable to stockholders. Net asset value of each share increased from $8.91 to the equivalent of $9.42 after adjusting for a security profits distribution of 27 cents paid Dec. 9, 1955.

Over 6,000 more investors joined Incorporated Income Fund during the year. Stockholders come from every state as well as the District of Columbia, Alaska, Hawaii, Puerto Rico and eight foreign countries.

The general level of business will be somewhat higher in 1957 than in 1956, in the opinion of Incorporated Income Fund management. This is expected to furnish the base for a continued high level of corporate profits and dividends, state Chairman William A. Parker and President Charles Devens in their message to stockholders.

Quoting Sumner H. Slichter, economic consultant to Incorporated Income Fund, the report draws attention to the steady growth of corporate dividends from 1939 through June, 1956. During the past 12 months 31 out of 84 securities increased their dividends while held by the fund.

Personal Progress

Two appointments to the executive staff of Future Planning Corporation, 112 West 34th Street, New York City, were announced by Karl D. Pettit, Jr., President.

Karl A. Kaschewski, Woodley Road, Morristown, N. J., has been made Vice-President of Future Planning Corp.

Edwin F. Marsullo has been appointed to the position of Sales Manager of the concern.

Mutual Funds

By ROBERT R. RICH

Municipal Bond Mutual Funds

The possibility that Congress may act in its next session on enabling legislation to let mutual funds create tax-exempt bond funds and pass on to their shareholders the tax-exempt status of income from municipal bonds was greatly increased this week when it was reported that New York State would back such a program.

In the state, both Governor Averell Harriman and State Controller Arthur Levitt are concerned about the high interest rates that communities must now pay on their bond issues, floated to finance schools, roads and other projects.

State officials have already begun a three-pronged attack on the problem of better marketing of state and local bonds. Aside from this, it is clear that the State will benefit from the opening up of an entirely new "buyers' market" for municipal bonds.

The National Association of Investment Companies is already working on the suggested text for such Congressional legislation. In the last session, Congress failed to act on two similar bills, primarily because of a lethargic attitude.

However, the present "tight money" squeeze has dramatized in recent months the importance of aiding communities in their marketing of local tax-exempt bonds. The support which New York intends to give to the mutual fund industry at proposed hearings to be held in January by Representative Wright Patman should carry a great deal of weight.

American Mutual Assets Go Up 116% In Year

New record highs for American Mutual Fund, Inc. were set in the fiscal year ended Oct. 31, 1956 in net assets, net income, net realized gains, and distributions to shareholders, Jonathan B. Lovelace, President, announced in the annual report to shareholders.

Total net assets at Oct. 31 were $58,652,651, an increase of 116% over the $27,181,663 total at the end of the preceding year. The respective net asset values per share were $8.55 on the 6,857,155 shares outstanding at Oct. 31, 1956 and $8.10 for each of the 3,354,201 shares outstanding a year earlier.

Mr. Lovelace said the increase of $31,470,988 in net assets during the year was due to the acquisition of $19,824,476 of net assets through the merger with Pacific-American Investors, Inc. on Feb. 1, 1956, purchases of new shares in the fund, and the increase in market value of the securities owned.

Net investment income for the fiscal year was $1,447,337, equivalent to approximately 26.5 cents per share on the 5,466,983 average number of shares outstanding during the year. This compares with net income of $676,597 or 24.5 cents per share on the 2,759,437 average number of shares outstanding in the fiscal year ended Oct. 31, 1955.

Net realized gain on investments in the year just concluded was $6,850,504 as compared with $2,487,176 in the preceding fiscal year.

Dividends paid from net investment income in the fiscal year ended Oct. 31 last, were 25 cents per share as compared with 23.7 cents in 1955, and distributions from net realized gain were 77 cents per share in 1956 as compared with 67.3 cents in the preceding year.

Mr. Lovelace expressed optimism on the outlook for business and the stock market over the longer term.

"We feel that the dynamic factors which have been operative in recent years and brought new highs in business activity in 1956 will continue to influence an upward trend through this decade," he said.

The near-term outlook is more clouded with uncertainties including the explosive Middle East situation, as well as the effects of tight money, increasing competition, and rising costs on the earnings of various companies and in recognition of these the cash reserve of the fund has been built up in recent months, Mr. Lovelace said.

In view of the management's confidence in the long-term outlook, however, "the major effort for strengthening the fund's investment position has been directed toward shifting investments into stocks which we believe are favorably situated to meet the new conditions," he concluded.

Scudder, Stevens & Clark Fund, Inc. reports total net assets on Nov. 16, 1956 of $71,418,634, equal to $37.07 per share on 1,926,593 shares outstanding. This compares with total net assets a year ago of $54,519,991, equivalent to $37.35 per share on 1,459,587 shares then outstanding.

Scudder, Stevens & Clark Common Stock Fund, Inc. reports total net assets on Nov. 16, 1956 of $13,564,522, equal to $23.91 per share on 567,319 shares outstanding. This compares with total net assets a year ago of $10,782,570, equivalent to $22.87 per share on 471,443 shares then outstanding.

Hines, Galvin & Co. Formed in Boston

BOSTON, Mass. — Joseph P. Galvin has become a partner of Frank A. Hines in the investment business of Hines & Co., 53 State Street, and the firm name has been changed to Hines, Galvin & Co. The firm holds membership in the Boston Stock Exchange

With Richard Harrison

SACRAMENTO, Calif.—Foy E. Bryant is now with Richard A. Harrison, 2200 Sixteenth Street.

Form First Georgia Secs.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — First Georgia Securities Corporation has been formed with offices in the Mortgage Guarantee Building to engage in a securities business. Richard W. King is president and treasurer. L. L. Bowman is secretary.

Joins Avery Eppler

REDWOOD CITY, Calif.—Jos. E. Rizzo has joined the staff of Avery L. Eppler Company, 1839 Broadway.

Steel and Automobile Production Carry Axe Business Index Higher

The Axe-Houghton weekly business index has advanced owing to increased steel and automobile production and higher miscellaneous loadings. These advances have been only partly offset by somewhat lower power production, which has indeed shown a tendency to level off since the beginning of 1956 in sharp contrast with the sustained expansion of 1954 and 1955.

The Axe-Houghton index of durable goods raw material prices has advanced, largely because of an increase in steel scrap prices but also because the Egyptian war has put an end to the decline in copper scrap prices. London copper prices have advanced.

Nonferrous metal imports increased during the summer owing to the less favorable price level abroad, and this was probably a factor in causing a decline in United States copper prices and in threatening to cause a similar decline in lead and zinc prices despite the fact that the domestic demand for lead and zinc has been holding up considerably better than the demand for copper.

But this has all been changed by the Egyptian war, which has brought about sharp increases in lead and zinc prices in London.

The Axe-Houghton index of semi-durable goods raw material prices has shown an even sharper increase owning to advances in cotton, wool, hides, and rubber. Agricultural prices generally have advanced.

This should be of considerable advantage to the farmer and farm machinery producers, because cash farm income this year has already begun to show a slight increase owing to higher farm marketings.

Following recent wage increases, many manufacturers have announced price increases in order to maintain profit margins. The outbreak of the war, Axe states, is apparently encouraging still another wave of advances designed to anticipate the danger of price controls, although, if price controls are instituted, prices will probably be "rolled back" to prewar levels. It is to be hoped that price controls will not be adopted, since nothing else would be quite so harmful to the general business outlook outside of rationing, the survey notes.

The automobile industry, Axe believes, appears to have extricated itself remarkably from the situation created by overproduction during November and December, 1955 and January, 1956.

Since the end of April, domestic factory sales of passenger cars have been continuously and substantially lower than new car registrations, so that field stocks have been reduced to normal.

Production of 1957 cars is not yet in full swing, but it is interesting to observe that thus far General Motors and Ford production has only reached the curtailed production level of last summer, while Chrysler, owning to labor difficulties, has not even reached that level. This and the reported absence of heavy steel ordering by the automobile companies suggest the possibility that abnormal peaks of production such as those of 1955 may be avoided, thus keeping the industry on an even keel in 1957.

The situation in the construction industry is mostly unchanged. Residential construction is probable past its peak, but other kinds of construction are holding up well. An improvement in the demand for textiles is indicated by a recent upturn in cotton and rayon cloth prices and by the figures on consumption and inventories of rayon, the survey reports.

Despite slackness in several important industries during the summer and fall, the total volume of all kinds of business, as indicated by freight carloadings and power production, has remained high. It is reported indeed that carloadings would have been even higher except for a shortage of cars.

There has been no important change in short-term interest rates, although 91-day Treasury bill rates have eased off, obviating for the time being the necessity for another increase in the discount rate. Government and other high-grade bond prices have continued to decline, however, forcing yields up to the highest levels in years. The commercial, industrial, and agricultural loans of the reporting member banks have turned downward, allowing for seasonal fluctuations, indicating the possibility that the rise in interest rates is beginning to have some effect in curtailing the demand for credit.

Thus far however the rise in interest rates has had no effect on the national income, contrary to the usual experience. Even the mild credit tightening of 1952-53, for example, was followed by a decline in the Gross National Product and a leveling off of total and disposable personal income.

In 1956, on the contrary, all these income factors, and also total consumption expenditures and savings, have continued to forge ahead despite all handicaps, including fairly severe recessions in some industries.

Boston Fund Assets Now $142 Million

Total net assets of Boston Fund, one of the largest mutual funds in the country, amounted to $142,742,567 at the close of the third quarter of its present fiscal year on Oct. 31, equal to $16.07 per share on 8,885,244 outstanding shares. These figures compare with total net assets of $135,446,508 at the end of the previous fiscal year last Jan. 31, equivalent to $15.74 per share on 8,602,950 shares then outstanding.

Noting that the investment position of the fund is constantly balanced between fixed-income securities and common stocks in accordance with the judgment of the management, Henry T. Vance, President, observes in the current quarterly report that as of Oct. 31 the proportions were 34.1% in net cash, bonds and preferred stocks and 65.9% in common stocks. At the close of the last fiscal year, 29.1% was in cash, bonds and preferreds and 70.9% was in common stocks.

"The general volume of business remains at a very high level," Mr. Vance comments in his letter to shareholders, "and prospects at the moment would indicate a continuance of such high levels. At the same time, various areas of the business picture differ somewhat in the results they are showing during the current period. As a result, the selection of individual securities in our portfolio constitutes a stimulating challenge to your management group and stresses once again the importance of field research which is directed at individual company operations.

"Our portfolio, as it is set forth in this report, reflects a careful appraisal of the business picture as we see it and, we believe, a prudent approach to the opportunities of investing at the present time."

Two With Reynolds Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Frank B. Hesson and Orlin I. Brown have become associated with Reynolds & Co., 39 South La Salle Street. Both were formerly with Bache & Co. and prior thereto with Sills, Minton & Co. and A. C. Allyn & Co.

With Nat'l Inv. Corp.

OAKLAND, Calif. — Henry S. Andersen and Irving E. Schlosser have been added to the staff of National Investment Corporation, 768 Fifty-fifth Street.

Join Lackner Co.

DENVER, Colo. — William J. Ewing, Jr., Alphonse J. Martischang and Anthony Nicoli have become affiliated with Lackner & Co., First National Bank Building.

Two With Securities Inc.

DENVER, Colo.—Eugene D. Long and Harold B. Durham Sr. are now connected with Securities, Inc., Farmers Union Building.

With Columbia Secs.

MIAMI, Fla.—Ira J. Klein and Jorge L. Rivera are now with Columbia Securities Company, Inc. of Florida, 3839 Biscayne Boulevard.

Joins Mitchum, Jones

LOS ANGELES, Calif.—Rex M. Burback has been added to the staff of Mitchum, Jones & Templeton, 650 South Spring Street, members of the New York and Los Angeles Stock Exchanges.

Morgan Adds to Staff

LOS ANGELES, Calif.—John T. Boyd, Jr. is now with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

Four With Dean Witter

LOS ANGELES, Calif.—John M. Bush, Sidney Y. Gregory, James W. Martin and Christian B. Nielsen are now associated with Dean Witter & Co., 632 South Spring Street. Mr. Bush was formerly with William R. Staats & Co.

With Pierce Kielsmeier

PALO ALTO, Calif.—Merritt R. Olds has joined the staff of Pierce and Kielsmeier, 539 Ramona St. He was previously with La Montagne & Co. and Eastland-Douglass & Co., Inc.

Leo MacLaughlin Adds

PASADENA, Calif. — Frank D. Rose has been added to the staff of Leo G. MacLaughlin Securities Company, 54 South Los Robles Avenue.

Francis I. du Pont Adds

SAN DIEGO, Calif.—Merrill V. Ericson has been added to the staff of Francis I. du Pont & Co., San Diego Trust & Savings Building.

With Davidson Co.

MODESTO, Calif. — Clay D. Hatch is now connected with Davidson & Co., Hotel Covell Lobby. He was previously with E. F. Hutton & Company.

With Palmer, Pollacchi

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Romeo Desmarais is now with Palmer, Pollacchi & Co., 84 State Street.

Now United Planning

EAST PATERSON, N. J. — The firm name of Lind, Rich & Co., 198 Market Street, has been changed to United Planning Corporation.

Business Man's Bookshelf

Accounting Trends and Techniques—10th Edition—American Institute of Accountants, 270 Madison Avenue, New York 16, N. Y. (paper), $15.

Control of Land Subdivision — State Commerce Department, 112 State Street, Albany, N. Y. —On request.

Fiscal Relations of New York State and New York City—Report to the Governor of the State of New York and the Mayor of the City of New York, New York State — New York City Fiscal Relations Committee, 270 Broadway, New York 7, N. Y. (paper).

Foreign Exchange Quotations—Folder listing current currency quotations for 137 countries throughout the world—International Banking Department, Manufacturers Trust Company, 55 Broad Street, New York 15, New York.

Head Injuries in Workmen's Compensation — Leo M. Davidoff and Benno Schlessinger — Commerce and Industry Association of New York, Inc., 99 Church Street, New York 7, N. Y. (paper), $2.50.

How & Why Industry Is Humming in New England — Facts about business in six New England States—New England Council, Statler Building, Boston 16, Mass.

Industrial Bulletin (October 1956) containing articles on "Handicapped Workers, Hiring of Minors," "Labor in Review," "Growth vs. Contraction," and "Safety in Construction" — Industrial Bulletin, New York State Dept. of Labor, 80 Centre Street, New York 13, N. Y.—$3 per year.

Introduction to Keynesian Dynamics—Kenneth K. Kurihara —Columbia University Press, New York 27, N. Y.—$4.50.

Living Costs and Conditions in Venezuela—Bureau of Foreign Commerce, U. S. Department of Commerce — Superintendent of documents, U. S. Government Printing Office, Washington 25, D. C.—10c.

Local Planning and Zoning—New York Department of Commerce, 112 State Street, Albany, N. Y. —On request.

Local Union, The—A bibliography —Industrial Relations Section, Princeton University, Princeton, N. J. (paper) 20c.

Maintaining Economic Stability and Growth—Federal Reserve Bank of Boston, 30 Pearl Street, Boston, Mass. (paper).

Man Hours Per Unit of Output in Basic Steel Industry, 1939-55— Bulletin No. 1200 — U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.— 30 cents (check or money order payable to Supt. of Documents— stamps not acceptable).

Mutual Mortgage Insurance Fund —Ernest M. Fisher and Chester Rapkin — Columbia University Press, New York 27, N. Y.—$4.

Pioneer Educator in the Air Age: Daniel Guggenheim School of Aeronautics — Commemorative booklet on 30th anniversary— New York University College of Engineering, New York 53, N. Y.

This Is Japan—1957—Life, art and customs of the Japanese Nation. profusely illustrated — $6.50 postpaid — The Asahi Shimbun Japan Publications Trading Co., Ltd., Central P. O. Box 722, Tokyo, Japan.

Trading Stamps and Premium Credit Plans: The Consumers pro and con — Batten, Barton, Durstine & Osborn, Inc., 383 Madison Avenue, New York 17, N. Y. (paper), on request.

Why Sales Are Jumping in Georgia — Citizens & Southern National Bank, Broad and Marietta Streets, Atlanta, Ga. (paper).

Form Dumont Secs.

Dumont Securities Corporation has been formed with offices at 80 Wall Street, New York City to engage in a securities business. Officers are Malcolm R. Parle, president and treasurer, and Lawrence M. Perlstein, secretary. Mr. Parle was formerly with McGrath Securities Corporation.

Watters & Co. Formed

NEW ORLEANS, La.—Watters & Company, Inc. has been formed with offices in the Queen & Crescent Building to engage in a securities business. Officers are John S. Watters, President; Hilda Gaillard, Vice-President; and Sidney M. Bright, Secretary-Treasurer. Mr. Watters was formerly with Howard, Weil, Labouisse, Friedrichs & Co. and Woolfolk & Shober.

Form Gill Harkness Co.

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif. — Gill Harkness & Co. has been formed with offices in the Security Building to conduct an investment business. Officers are Bruce A. Johnson, President; Kathryn R. Johnston, Vice-President; and Bernard J. Moore, Secretary-Treasurer. Mr. Moore and Mr. Johnson were formerly with McCormick and Co.

Great Western Secs. Opens

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Great Western Securities is engaging in an investment business from offices at 9685 Santa Monica Boulevard. Officers are Stanley McLay, President; Claude E. Schreiner, Vice-Pres.; Michael A. Grande, Treasurer; and Anthony S. Lazzarino, Secretary.

MacQuoid, Coady Partner

On December 1st, Charles L. Woody, Jr., members of the New York Stock Exchange, will be admitted to partnership in MacQuoid & Coady, 120 Broadway, New York City, members of the New York Stock Exchange.

Mitchell, Hutchins Partner

On December 6th, John M. P. Thatcher, Jr. will acquire a membership in the New York Stock Exchange and will become a partner in the Exchange member firm of Mitchell, Hutchins & Co. He will make his headquarters in the New York City office at 1 Wall Street.

Forms Bronstein Co.

Barney Bronstein is engaging in a securities business from offices at 460 West 24th Street, New York City under the firm name of B. Bronstein Company. Mr. Bronstein was formerly with Oppenheimer & Co. and Brand, Grumet & Co.

John Dunne Admits

Thomas D. O'Brian will acquire a membership in the New York Stock Exchange and on December 6th will become a partner in John V. Dunne & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

Continued from page 5

Observations . . .

1920-'22 and 1930-'33. Similarly, even midst Germany's inflationary holocaust post-First World War there was a deflationary 50% rise in the mark's gold value in 1920-'22.

And further, there has been a constant worldwide absence of correlation between common stock and commodity price movements. In France there was a 25% fall in stock prices in both 1948 and 1949 contra-the general price level. And our great market boom of 1926-1929 occurred midst stable or falling commodity prices.

Further compounding the investor's difficulties is the unpredictability of individual stock price movements even if "the market" level in general should be correctly discerned.

There are the pragmatic investing policy questions of how to choose between inflation-hedging and sound investment-value criteria, such as we have previously specified? And how should specific stock selection be slanted to accord with inflation factors?

Uncertainty of Protection

During the First World War Inflation Era in Europe the wealthy capitalists sought protection through flight into equities backed by tangible assets, preferably in the form of physical goods. The results evidenced great irregularity and unpredictability. In Germany, fire insurance and casualty companies in particular, as well as oil producers and textile issues, did well. Badly performing issues included steels, shipbuilding, railroads, public utilities and banks.

In the Second World War era, as expected, the rentier fared worst. The holder of equities in France secured partial protection over the long-term—but less than from land or gold. In the United Kingdom and the United States no distinct flight from the currency into another medium occurred. In the U. S. again there was an absence of correlation between monetary inflation or commodity price changes on the one hand, and stock price movements on the other. Typical of this divergence were the 1946-'48 and 1949-'51 periods. Thus even correct anticipation of the short-term price level fluctuations would not have led to protection through the share market.

Stocks as a Hedge

The effectiveness of the stock market in providing an inflation hedge in various countries during the period surrounding the last Hot and the continuing Cold wars, namely the period 1937-1956, is shown in the following table.

Comparative Changes in Cost of Living, Bond and Stock Prices 1937-1956

	Cost of Living	Bond Prices	Stock Prices	Proportion of Cost of Living Rise Offset by Stock Rise
Sweden	+ 130%	—23%	+ 130%	100%
Italy	+6000	+30	+ 41	0.7
Portugal	+ 108	+22	+ 60	56
Norway	+ 144	+30	+ 133	92
Belgium	+ 336	— 5	+ 180	54
Switzerland	+ 77	+ 6	+ 140	180
Australia	+ 190	—40	+ 90	47
United Kingdom	+ 180	—55	+ 66	37
France	+2400	—20	+4800	200
United States:				
1937-1950	+ 85	— 2	+ 33	40
1937-1951	+ 80	—20	+ 32	78
1937-1952	+ 83	—30	+ 80	97
1937-1956	+ 108	—60	+ 260	240

The non-uniformity in the specific degree of inflation-offset provided by the common stock may be noted from the table's last column. And, as the several intervals indicated in the case of the United States show, selection of the period, and particularly its length, for consideration may well be determining. It required our extended bull market since 1952 to give the equity share the very satisfactory hedge status.

What Inflation Policy for the U. S. Investor?

In the light of this record and the prospects, what should be the intelligent policy of the inflation-conscious investor? To the first of our previously-posed basic questions, "How to choose between inflation-hedging and sound investment value?", fortunately the valid rejoinder in this country is that no such mutually exclusive choice is necessary. For even after the major market rise over recent years, many stocks are still available at prices justified by *value* criteria (as spelled out by us on many occasions) wholly without taking into account the inflation threat. This contrasts with the situation confronting the investor in Britain and France, where dividend and earnings yields have consistently been lower than here, consequently exacting an inflation-hedging premium.

Hence here equities in general should never be held *solely* because of their inflation-protection qualities. Inflation influences on business and the economy in general should be taken into account as merely one of many factors determining over-all portfolio policy, and in appraising individual values.

Specific Portfolio Technique

The logical investor should now, as always, have part of his capital in common stocks chosen according to value standards and diversified among industries and companies to include issues supplying protection against both inflation (as in the "commodity" area) and deflation (as utilities and gold mining). Also, his assets should be basically diversified to include government bonds and perhaps other fixed interest securities (as tax exempts). You will attain the maximum in meeting the inflation imponderables by diversifying among the categories of investment, and also in the case of common stocks among industries as well as individual issues.

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)	Dec. 2	§100.3	*100.1	101.3	97.6
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 2	§2,469,000	*2,463,000	2,493,000	2,356,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 16	7,158,750	7,050,000	6,997,350	6,851,100
Crude runs to stills—daily average (bbls.)	Nov. 16	¶7,965,000	7,964,000	7,530,000	7,657,000
Gasoline output (bbls.)	Nov. 16	26,483,000	26,714,000	25,658,000	26,310,000
Kerosene output (bbls.)	Nov. 16	2,619,000	2,704,000	2,772,000	2,351,000
Distillate fuel oil output (bbls.)	Nov. 16	12,163,000	12,289,000	11,979,000	11,948,000
Residual fuel oil output (bbls.)	Nov. 16	7,891,000	8,275,000	7,742,000	8,242,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 16	172,739,000	171,843,000	173,087,000	153,580,000
Kerosene (bbls.) at	Nov. 16	35,278,000	36,105,000	33,929,000	35,144,000
Distillate fuel oil (bbls.) at	Nov. 16	160,460,000	161,656,000	155,288,000	148,661,000
Residual fuel oil (bbls.) at	Nov. 16	46,768,000	47,425,000	47,715,000	45,293,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 17	763,876	772,761	828,741	766,216
Revenue freight received from connections (no. of cars)	Nov. 17	651,865	657,639	676,559	654,898
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 22	$357,600,000	$369,852,000	$550,482,000	$305,501,000
Private construction	Nov. 22	249,851,000	202,816,000	419,790,000	216,313,000
Public construction	Nov. 22	107,749,000	167,036,000	130,692,000	89,188,000
State and municipal	Nov. 22	90,228,000	116,652,000	99,146,000	73,019,000
Federal	Nov. 22	17,521,000	50,384,000	31,546,000	16,169,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 17	10,420,000	*10,280,000	10,540,000	10,486,000
Pennsylvania anthracite (tons)	Nov. 17	640,000	672,000	692,000	609,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 17	152	137	129	142
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 24	11,439,000	11,589,000	11,391,000	10,727,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 22	207	240	267	205
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 20	5.622c	5.622c	5.622c	5.174c
Pig iron (per gross ton)	Nov. 20	$63.04	$63.04	$63.04	$59.09
Scrap steel (per gross ton)	Nov. 20	$61.33	$61.17	$56.83	$45.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 21	35.700c	35.700c	39.475c	42.925c
Export refinery at	Nov. 21	33.925c	34.900c	34.775c	44.000c
Straits tin (New York) at	Nov. 21	110.750c	108.750c	106.000c	98.750c
Lead (New York) at	Nov. 21	16.000c	16.000c	16.000c	15.500c
Lead (St. Louis) at	Nov. 21	15.800c	15.800c	15.800c	15.300c
Zinc (East St. Louis) at	Nov. 21	13.500c	13.500c	13.500c	13.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 27	89.35	90.45	90.98	94.94
Average corporate	Nov. 27	97.00	97.47	98.57	107.62
Aaa	Nov. 27	100.32	100.65	101.80	111.07
Aa	Nov. 27	99.20	99.52	100.65	109.60
A	Nov. 27	97.16	97.47	98.57	107.62
Baa	Nov. 27	91.62	92.35	93.38	102.63
Railroad Group	Nov. 27	95.16	95.62	97.31	106.21
Public Utilities Group	Nov. 27	98.09	98.09	98.57	107.80
Industrials Group	Nov. 27	97.78	98.57	99.68	108.88
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 27	3.37	3.28	3.24	2.88
Average corporate	Nov. 27	3.94	3.91	3.84	3.30
Aaa	Nov. 27	3.73	3.71	3.64	3.11
Aa	Nov. 27	3.80	3.78	3.71	3.19
A	Nov. 27	3.93	3.91	3.84	3.30
Baa	Nov. 27	4.30	4.25	4.18	3.59
Railroad Group	Nov. 27	4.06	4.03	3.92	3.38
Public Utilities Group	Nov. 27	3.87	3.87	3.84	3.29
Industrials Group	Nov. 27	3.89	3.84	3.77	3.23
MOODY'S COMMODITY INDEX	Nov. 27	437.3	424.6	419.5	399.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 17	231,330	276,848	251,985	214,122
Production (tons)	Nov. 17	278,966	283,400	276,397	294,652
Percentage of activity	Nov. 17	94	95	94	104
Unfilled orders (tons) at end of period	Nov. 17	428,989	477,587	442,344	599,443
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Nov. 23	109.60	109.53	109.40	106.98
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	Nov. 3	1,333,750	1,070,761	1,478,649	1,033,314
Dollar value	Nov. 3	$70,848,894	$57,051,834	$81,390,885	$56,370,657
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 3	904,997	743,808	888,436	838,716
Customers' short sales	Nov. 3	5,575	5,457	8,822	7,015
Customers' other sales	Nov. 3	899,422	738,351	879,614	831,701
Dollar value	Nov. 3	$45,119,535	$35,997,678	$45,227,452	$42,741,072
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 3	216,350	184,060	170,200	213,900
Short sales	Nov. 3	------	------	------	------
Other sales	Nov. 3	216,350	184,060	170,200	213,900
Round-lot purchases by dealers—					
Number of shares	Nov. 3	640,970	484,510	764,100	429,190
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	Nov. 3	531,320	344,670	560,790	408,140
Other sales	Nov. 3	10,505,330	7,875,980	10,680,240	9,907,610
Total sales	Nov. 3	11,036,650	8,220,650	11,240,430	10,315,750
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 3	1,601,160	1,028,650	1,448,960	1,253,670
Short sales	Nov. 3	297,610	189,040	291,270	194,280
Other sales	Nov. 3	1,414,970	840,750	1,302,720	1,038,600
Total sales	Nov. 3	1,712,580	1,029,790	1,593,990	1,232,880
Other transactions initiated on the floor—					
Total purchases	Nov. 3	353,150	175,090	322,220	286,960
Short sales	Nov. 3	45,500	25,930	41,000	22,200
Other sales	Nov. 3	399,360	241,960	330,700	235,570
Total sales	Nov. 3	444,860	267,890	371,700	257,770
Other transactions initiated off the floor—					
Total purchases	Nov. 3	458,885	342,271	545,048	480,840
Short sales	Nov. 3	87,480	63,630	98,810	78,680
Other sales	Nov. 3	570,979	406,546	599,818	500,950
Total sales	Nov. 3	658,459	470,176	698,628	579,630
Total round-lot transactions for account of members—					
Total purchases	Nov. 3	2,413,195	1,546,011	2,316,228	2,021,470
Short sales	Nov. 3	430,590	278,600	431,080	295,160
Other sales	Nov. 3	2,385,309	1,489,256	2,233,238	1,775,120
Total sales	Nov. 3	2,815,899	1,767,856	2,664,318	2,070,280
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Nov. 20	115.7	*115.7	115.2	111.1
Farm products	Nov. 20	87.6	*87.8	88.3	84.7
Processed foods	Nov. 20	103.1	*103.3	103.6	98.4
Meats	Nov. 20	79.2	80.6	84.6	73.0
All commodities other than farm and foods	Nov. 20	124.0	*124.0	123.1	119.2

*Revised figure. ¶Includes 1,054,000 barrels of foreign crude runs. §Based on new annual capacity of 128,363,000 tons as of Jan. 1, 1956, as against Jan. 1, 1955 basis of 125,828,319 tons. †Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Oct. 31:			
Imports	$276,642,000	$294,379,000	$257,806,000
Exports	281,130,000	257,803,000	201,162,000
Domestic shipments	13,833,000	14,416,000	10,195,000
Domestic warehouse credits	119,436,000	98,755,000	71,744,000
Dollar exchange	19,175,000	17,125,000	33,250,000
Based on goods stored and shipped between foreign countries	132,602,000	122,636,000	87,470,000
Total	$842,818,000	$805,114,000	$661,627,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of October	11,546	9,583	10,698
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE—Month of Oct. (000's omitted)	$749,800,000	$591,000,000	$669,000,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK— As of Oct. 31 (000's omitted)	$574,000	$549,000	$547,000
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Consumed month of October	732,319	822,180	736,860
In consuming establishment as of Oct. 27	1,153,875	899,280	1,358,885
In public storage as of Oct. 27	16,179,344	14,279,709	14,626,221
Linters—Consumed month of October	154,812	129,775	158,944
Stocks Oct. 27	792,077	872,208	1,394,066
Cotton spindles active as of Oct. 27	18,839,000	18,780,000	19,302,000
COTTON GINNING (DEPT. OF COMMERCE)— As of Nov. 1 (running bales)	9,709,495	------	9,557,978
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—1955 crop as of Nov. 1: Production 500-lb. gross bales	13,153,000	13,268,000	14,542,000
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of September:			
Cotton Seed—			
Received at mills (tons)	1,273,839	364,799	1,065,530
Crushed (tons)	526,375	181,552	494,196
Stocks (tons) Sept. 30	1,108,180	360,716	916,780
Crude Oil—			
Stocks (pounds) Sept. 30	96,275,000	52,108,000	87,689,000
Produced (pounds)	165,478,000	58,104,000	159,431,000
Shipped (pounds)	73,623,000	50,774,000	103,998,000
Refined Oil—			
Stocks (pounds) Sept. 30	157,521,000	179,798,000	273,143,000
Produced (pounds)	69,432,000	47,268,000	96,846,000
Consumption (pounds)	96,977,000	104,902,000	101,707,000
Cake and Meal—			
Stocks (tons) Sept. 30	140,916	120,288	150,240
Produced (tons)	249,069	85,222	233,349
Shipped (tons)	228,441	129,121	252,812
Hulls—			
Stocks (tons) Sept. 30	55,322	55,123	60,332
Produced (tons)	112,850	40,785	106,390
Shipped (tons)	112,651	62,826	91,808
Linters (running bales)—			
Stocks Sept. 30	145,109	103,326	92,600
Produced	157,352	53,171	154,257
Shipped	115,569	69,803	138,880
Hull Fiber (1,000-lb. bales)—			
Stocks Sept. 30	546	334	397
Produced	1,152	674	1,170
Shipped	940	933	1,007
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Sept. 30	2,115	1,929	2,796
Produced	1,042	354	1,831
Shipped	866	700	821
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of September:			
Death benefits	$171,800,000	$203,900,000	$180,000,000
Matured endowments	45,900,000	49,500,000	44,400,000
Disability payments	8,800,000	9,300,000	8,600,000
Annuity payments	38,800,000	41,800,000	38,300,000
Surrender values	73,100,000	84,100,000	67,900,000
Policy dividends	86,600,000	89,600,000	81,800,000
Total	$425,000,000	$478,300,000	$421,000,000
METAL OUTPUT (BUREAU OF MINES)—			
Month of August:			
Mine production of recoverable metals in the United States:			
Gold (in fine ounces)	179,061	*157,764	160,429
Silver (in fine ounces)	2,969,632	*2,754,908	2,779,489
Copper (in short tons)	92,167	*80,615	67,235
Lead (in short tons)	29,389	*27,959	26,813
Zinc (in short tons)	46,310	*43,507	42,323
METAL PRICES (E. & M. J. QUOTATIONS)—			
Average for month of October:			
Copper (per pound)—			
Domestic refinery	38.623c	35.597c	43.030c
Export refinery	35.431c	37.511c	43.411c
Lead—			
Common, New York (per pound)	16.000c	16.000c	15.500c
Common, East St. Louis (per pound)	15.800c	15.800c	15.300c
‡‡Prompt, London (per long ton)	£115.457	£117.175	£106.881
††Three months, London (per long ton)	£113.712	£115.144	£106.589
Zinc (per pound)—East St. Louis	13.500c	13.500c	13.000c
§§Zinc, Prime Western, delivered (per pound)	14.000c	14.000c	13.500c
††Zinc, London, prompt (per long ton)	£95.726	£96.344	£90.896
††Zinc, London, three months (per long ton)	£93.555	£94.288	£90.696
Silver and Sterling Exchange—			
Silver, New York (per ounce)	91.176c	90.750c	91.794c
Silver, London (pence per ounce)	79.935d	78.869d	79.958d
Sterling Exchange (check)	$2.78457	$2.78304	$2.79205
Tin, New York Straits	105.764c	103.734c	96.090c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$254.769	$255.000	$275.560
¶Antimony, New York boxed	36.470c	36.470c	36.470c
Antimony (per pound), bulk Laredo	33.000c	33.000c	33.000c
Antimony (per pound), boxed Laredo	33.500c	33.500c	33.500c
Platinum, refined (per ounce)	$104.000	$104.000	$94.460
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.70000
§Cadmium (per pound)	$1.70000	$1.70000	$1.70000
Cobalt, 97% grade	$2.60000	$2.60000	$2.60000
Aluminum, 99% grade ingot weighted average (per pound)	27.100c	27.100c	Not avail.
Aluminum, 99% grade, primary pig	25.000c	25.000c	Not avail.
Magnesium ingot (per pound)	35.250c	35.250c	32.500c
**Nickel	64.500c	64.500c	64.500c
Bismuth (per pound)	$2.25	$2.25	$2.24

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne, U. S. duty included. ‡‡Average of daily mean and bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from East St. Louis exceeds 0.5c.

Jensen Stromer Add

MARYSVILLE, Calif.—Oscar B Brown, Graham H. Garrison Vincent A. Gerdau, Albert A. Pimentel and Gordon S. Webb are now with Jensen & Stromer, 426 Fifth Street.

Jacob S. Weiss Opens

QUEENS VILLAGE, N. Y.—Jacob S. Weiss is engaging in a securities business from offices at 82-49 212th Street.

DIVIDEND NOTICES

J. I. Case Company

(Incorporated)

Racine, Wis., November 26, 1956

A dividend of $1.75 per share upon the outstanding Preferred Stock of this company has been declared payable January 2, 1957, to holders of record at the close of business December 12, 1956. No dividend action was taken on the Common Stock.

L. T. NEWMAN, Secretary.

ALCO

ALCO PRODUCTS

INCORPORATED

30 Church Street, New York 8, N. Y.

PREFERRED DIVIDEND No. 194

COMMON DIVIDEND No. 130

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of twenty five cents (25¢) per share on the Common Stock of this Company have been declared payable January 1, 1957 to holders of record at the close of business on December 11, 1956. Transfer books will not be closed.

CARL A. SUNDBERG

November 27, 1956 Secretary

A M M INC.

AMERICAN MACHINE AND METALS, INC.

52nd Dividend

The QUARTERLY DIVIDEND rate was raised from 50¢ to 60¢. A fourth quarter dividend of 60¢ per share and an EXTRA DIVIDEND of 50¢ per share will be paid on December 21, 1956 to shareholders of record on December 10, 1956.

Robert G. Burns, *Treasurer*

Allen Enlarges Staff

DENVER, Colo.—Jerome C. Brown, Stuart F. Danford, Ernest H. Lind, William J. McGhee, John H. Sitton, Jack E. Soder, Roy A. Swanson and Leonard C. Wilson have been added to the staff of Allen Investment Company, Mile High Center.

DIVIDEND NOTICES

CITY INVESTING COMPANY

25 BROAD STREET, NEW YORK 4, N. Y.

The Board of Directors of this company on November 28, 1956, declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the company payable January 1, 1957, to stockholders of record at the close of business on December 14, 1956.

JOHN A. KENNEDY
Vice President & Secretary

76th Dividend Common Stock

AMERICAN EXPORT LINES, INC.

The Board of Directors of American Export Lines, Inc. at a meeting held November 21, declared a quarterly dividend of fifty cents ($.50) per share on the common stock payable December 14, 1956 to stockholders of record December 3, 1956.

C. L. NIELSEN,
Secretary

November 21, 1956

DIXIE CUP COMPANY

The Board of Directors of Dixie Cup Company, makers of paper drinking cups and food containers, has declared the following dividends:

5% Convertible Preferred Stock, Series A—Dividend No. 13 (quarterly)—62½c per share—payable January 10, 1957 to stockholders of record December 10, 1956.

Common Stock—Dividend No. 96 (quarterly)—50c per share—payable December 20, 1956 to stockholders of record December 10, 1956.

H. R. WECKERLEY, Secretary

Dated: November 26, 1956.

BRIGGS & STRATTON CORPORATION

BRIGGS & STRATTON

DIVIDEND

The Board of Directors has declared a quarterly dividend of thirty cents (30c) per share and a year-end dividend of sixty cents (60c) per share on the capital stock ($3 par value) of the Corporation, payable December 15, 1956 to stockholders of record November 30, 1956.

L. G. REGNER, Secretary-Treasurer.

Milwaukee, Wis.
November 20, 1956

QUALITY

The American Tobacco Company

209TH PREFERRED DIVIDEND

A quarterly dividend of 1½% ($1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on January 2, 1957, to stockholders of record at the close of business December 10, 1956. Checks will be mailed.

November 27, 1956 HARRY L. HILYARD, *Treasurer*

DIVIDEND NOTICES

THE COLORADO FUEL AND IRON CORPORATION

Dividend Notices

At a meeting of the Board of Directors of The Colorado Fuel and Iron Corporation, held in New York, New York, on November 28, 1956, a quarterly dividend on the common stock of the corporation, in the amount of fifty cents per share, was declared, payable January 7, 1957 to stockholders of record at the close of business on December 10, 1956. The regular quarterly dividend on the series A $50 par value preferred stock in the amount of sixty-two and one-half cents per share, and also the regular quarterly dividend on the series B $50 par value preferred stock, in the amount of sixty-eight and three-quarters cents per share, were declared, payable on December 31, 1956 to stockholders of record at the close of business on December 10, 1956.

D. C. McGREW,
Secretary.

HOMESTAKE MINING COMPANY
DIVIDEND NO. 902

The Board of Directors has declared regular dividend of forty cents a share ($.40) and an additional year-end dividend of forty cents a share ($.40) of $12.50 par value Capital Stock, payable December 14, 1956 to stockholders of record December 3, 1956.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*

November 9, 1956.

CSC

COMMERCIAL SOLVENTS *Corporation*

DIVIDEND No. 88

A dividend of twenty-five cents (25c) per share has today been declared on the outstanding common stock of this Corporation, payable on December 26, 1956, to stockholders of record at the close of business on December 7, 1956.

A. R. BERGEN,
November 26, 1956. *Secretary.*

E. I. DU PONT DE NEMOURS & COMPANY

DU PONT
REG. U. S. PAT. OFF.

Wilmington, Del., November 19, 1956

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable January 25, 1957, to stockholders of record at the close of business on January 10, 1957; also $2.00 a share on the Common Stock as the year-end dividend for 1956, payable December 14, 1956, to stockholders of record at the close of business on November 27, 1956.

P. S. DU PONT, 3RD, *Secretary*

CHEMICALS
FIBERS
PLASTICS

CELANESE CORPORATION OF AMERICA

180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

4½% PREFERRED STOCK, SERIES A

The regular quarterly dividend for the current quarter of $1.12½ per share, payable January 1, 1957, to holders of record at the close of business December 7, 1956.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable January 1, 1957, to holders of record at the close of business December 7, 1956.

COMMON STOCK

25 cents per share payable December 21, 1956, to holders of record at the close of business December 7, 1956.

R. O. GILBERT
Secretary

November 27, 1956.

DIVIDEND NOTICES

INTERNATIONAL SALT COMPANY

DIVIDEND NO. 170

A dividend of TWO DOLLARS AND FIFTY CENTS a share has been declared on the capital stock of this Company, payable December 21, 1956, to stockholders of record at the close of business on December 10, 1956. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN
Exec. Vice Pres. & Sec'y.

MIAMI COPPER COMPANY

61 Broadway, New York 6, N. Y.

November 16, 1956

A quarterly dividend of fifty (50¢) cents per share was declared, payable December 18, 1956, to stockholders of record at the close of business November 30, 1956.

An extra dividend of one ($1.00) dollar per share was declared, payable December 18, 1956, to stockholders of record at the close of business November 30, 1956.

An additional extra dividend of one ($1.00) dollar per share was declared, payable January 11, 1957, to stockholders of record at the close of business November 30, 1956.

JOHN G. GREENBURGH,
Treasurer.

Public Service Electric and Gas Company

NEWARK, N. J.

QUARTERLY DIVIDENDS

The Board of Directors has declared the following dividends for the quarter ending December 31, 1956:

Class of Stock	Dividend Per Share
4.08% Cumulative Preferred	$1.02
4.18% Cumulative Preferred	1.045
4.30% Cumulative Preferred	1.075
$1.40 Dividend Preference	.35
Common	.45

All dividends are payable on or before December 20, 1956 to stockholders of record November 30, 1956.

F. MILTON LUDLOW
Secretary

NJ PUBLIC SERVICE
CROSSROADS OF THE EAST

DIVIDEND NOTICES

MERCK & CO., INC.

RAHWAY, N. J.

MERCK

Quarterly dividends of 25¢ a share on the common stock, 87½¢ a share on the $3.50 cumulative preferred stock, and $1.00 a share on the $4.00 convertible second preferred stock, have been declared, payable on January 2, 1957, to stockholders of record at the close of business on December 7, 1956.

An extra dividend of 20¢ a share on the common stock has also been declared, payable on December 21, 1956, to stockholders of record at the close of business on December 7, 1956.

CARL M. ANDERSON,
Secretary

November 27, 1956

Pullman Incorporated

357th Dividend and 90th Consecutive Year of Quarterly Cash Dividends

A regular quarterly dividend of seventy-five cents (75¢) per share will be paid on December 14, 1956, to stockholders of record November 30, 1956. An extra dividend of one dollar ($1.00) per share will be paid on January 7, 1957, to stockholders of record December 14, 1956.

CHAMP CARRY
President

PULLMAN STANDARD
KELLOGG
TRAILMOBILE

UNITED GAS CORPORATION

SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of thirty-seven and one-half cents (37½¢) per share on the Common Stock of the Corporation, payable January 2, 1957, to stockholders of record at the close of business on December 10, 1956.

B. H. WINHAM

November 28, 1956 *Secretary*

RICHFIELD

dividend notice

The Board of Directors, at a meeting held November 12, 1956, declared a regular quarterly dividend of seventy-five cents per share for the fourth quarter of the calendar year 1956 and a special dividend of fifty cents per share on stock of this Corporation, both payable December 15, 1956, to stockholders of record at the close of business November 23, 1956.

Norman F. Simmonds, Secretary

RICHFIELD
Oil Corporation

Executive Offices: 555 South Flower Street
Los Angeles 17, California

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Another of those broad readjustments in U. S. foreign and military policy would seem to be inevitably on the way. This is thought to be the certain consequence of recent and continuing world troubles. The outlines of new policy, however, are likely to take some months to evolve.

Such broad readjustments in basic foreign-military policy seem to occur every few years, more or less. Thus, the United States finished the war with the expectation that the international financial agencies being set up would bridge the readjustment of Europe's economy from war to peace, and the United Nations would keep the peace.

As the Reds aroused suspicion of their peaceful intentions in the satellite countries, and by other maneuvers, the U. S. adopted the Marshall Plan. This, it is recalled, provided for a "generous and far-seeing" step by which the United States —in the rationale of the time —was to help Europe get back on its economic feet. An economically strengthened Europe would have both the physical means and the will (since in Truman-Eisenhower book all social *malaise* stems from poverty) to arm and defend itself.

This nation settled down to the comfortable thought that in enacting the Marshall Plan and in sticking to the UN, all troubles would be taken care of.

Subsequently the Reds kept breaking each new frame for U. S. foreign-military policy, by having "guerillas" invade Greece and threaten Turkey, by the Berlin blockade, and finally by the Red invasion of Korea.

In the process U. S. military spending alone rose to from some $13 billion annually to nearly $45 billion.

Steady Since Korea

Despite the inherited tensions which have continued since President Eisenhower took office in January, 1953, the frame or basic outlines of U. S. foreign-military policy, particularly in their fiscal consequences, has remained relatively steady.

This may be because the Reds did not sick their stooges into open military conflict except in Indochina, which the Administration decided, after a period of indecision, was not worth fighting for. The relative stability also may be explained in part by the fact that even though the United States withdrew from the Korean war without achieving the objectives for which it fought, the Reds did not appear anxious to promote open hostility again on such a large scale.

Nature of Policy Frame

So during the Eisenhower Administration, the outlines of a fairly definite policy frame have held fairly fast. The United States pitched its main security around the concept of the retaliatory nuclear war capacity which could be delivered from the air from U. S. and from foreign-leased bases for air power. These were bases, of course, constructed by the United States itself at an extravagant cost in money and materials, and are manned by U. S. personnel at further cost.

This was, to the Administration, a fairly comfortable frame. Satisfied that it could strike any point in the Soviet Empire with four hours flying time, the United States looked forward to, and planned, a relative diminution of manpower in the Ground Forces, and a limit on the expansion of sea power.

What made it more comfortable was that the crises that developed were on a less spectacular scale than those which kept the Truman Administration continually off balance. As a consequence, the Eisenhower Administration took considerable satisfaction from being able to assert it was not varying its military objectives with each fresh crisis.

Supports Economy

Still another "advantage" of the frame of foreign-military policy under Mr. Eisenhower has been that it is exerting a steady inflationary pressure. For instance, this year the government is subtracting some $42 billion of goods and services from the domestic economy and is paying for them in cash. The $42 billion is the probable cost of domestic and foreign military spending by the U. S. and foreign economic aid.

All this has exerted a gentle pressure on prices, kept them high, helped encourage a mass feeling of optimism, and full or nearly full employment has prevailed most of the time.

Furthermore, in the relative stability of U. S. policy which has prevailed since 1953, the Administration has been able at the same time to limit the inflationary force of military and foreign aid spending. There was even a temporary illusion of a move toward an overall lower level of total government spending.

Frame Broken

It is now clear to most hard-headed observers in government, even though it necessarily will be a long time before it is so admitted for publication, that some far-reaching assumptions of U. S. policy have been breached in recent events.

One of these is the 4-hour retaliatory nuclear war on Russia.

A startling but hitherto suppressed fact is that every major American air base in Western Europe and in Arab-populated countries was denied to the use of the United States during the Hungarian and Middle East crises.

It is not asserted, of course, that the United States remotely intended to use its Western European air bases to supply the Hungarian patriots with arms and shells during their hour of agony. Likewise, it is doubted that this country intended to threaten to make air war if necessary on Russia, to ameliorate the plight of the Hungarians.

The point is that the United States did not have an opportunity to contemplate these possibilities. It could not use the air bases.

Likewise the air bases in Arab countries were denied to the use of the United States.

Profound Changes Due

From the military point of view, this portends something profound in way of eventual change in U. S. military policy, which, of course, dominates fiscal policy, which, in its turn, dominates the whole domestic economy.

There is now a belief that the Ground Forces men have had demonstrated some great measure of validity to their argument that too great reliance upon retaliation from the air merely encourages the Reds to take these steps short of provoking nuclear war. The Ground Forces argument further is that by under-stressing land forces, the United States limits its capacity to deal with international situations short of the full-scale nuclear war.

Stresses Sea Power

The same argument, of course, is used by the Navy. The Navy was ordered by the Administration to be put in an extraordinary state of readiness. Much of it was ordered to sea and in full combat readiness. Ships left for destinations unknown to the Reds.

Curiously, the Administration played down this fact, which was, of course, readily ascertained by the most routine Russian espionage. Ordinarily the *modus operandi* of the present Administration has been to threaten retaliation, even if later receding, upon the Reds threatening a hostile move.

The fact that the Navy was made ready to strike all over the world is a current factor in the near-term possibility of stability in the Middle East. The Reds do not quite know for sure whether Eisenhower really means as he said that the U. S. will NOT unilaterally stop Russian intervention in the Middle East through the palpable dodge of "volunteers."

It also may be doubted, incidentally, that the State Department is advising its foreign contacts that the United States for sure will refrain from stopping Red "volunteers" from mixing up in the Middle East, given the opening.

For these volunteers, so-called, cannot come through Turkey or Persia. Hence, they cannot some over land. They must come by sea. The U. S. Sixth Fleet can absolutely prevent them from touching shore any where in any significant numbers, unless Eisenhower prohibits the Fleet from stopping them.

Re-Making Policy

Many words will be batted back and fourth and many memoranda will be exchanged, and hearings will be held, before a new foreign-military policy frame is evolved some time next year. Nevertheless, key observers see these possibilities:

(1) the Administration, with or without Congressional prodding, may see the need for a greater emphasis upon sea and land power, and a working away from main reliance upon retaliatory air power.

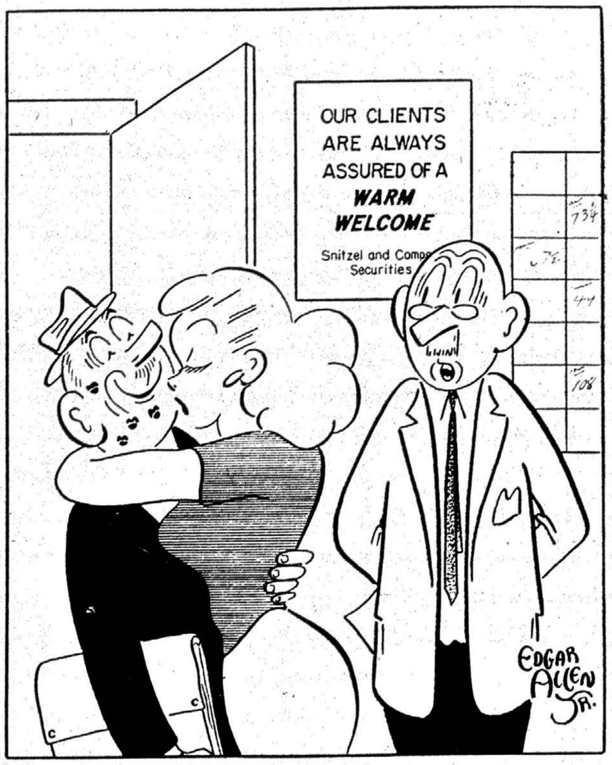
(2) Total military spending will tend to rise much above the probable, not less than $38 billion (officially estimated figure is $36 billion) this year for Defense Department military functions alone. This is because the Middle East and Hungarian crises have probably induced a Congressional and national will to spend more on the military.

(3) Eventually the United States will have in one manner or another, by new legislation, to shell out cash to buttress the economies of Western Europe. The principal cost will be for Western Hemisphere oil, but there will be other costs.

(4) If a settlement is reached in the Middle East, it probably will come only because of promised U. S. aid to that region on a much enhanced scale.

[*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



"A simple 'good morning, very happy to see you, Sir' would be quite sufficient, Miss Lovelace!"

COMING EVENTS

In Investment Field

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.

O. C. Collins Opens

(Special to THE FINANCIAL CHRONICLE)

TALLAHASSEE, Fla. — O. C. Collins is engaging in a securities business from offices here.