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EDITORIAL

As We See It

Cabling from London, Don Cook tells in the "Herald Tribune" of a conversation he recently had with an average sort of business man in the Midlands. Here is the way this Britisher sums up recent happening in British-American relations:

"Look, we've come to take this Anglo-American alliance as something we could count on—that you would always back us up in a pinch when our interests were vitally affected, because our interests and your interests are, in the end, the same.

"But now we find that we can't count on it any longer. So why should we go on pouring out millions for all this defense effort and this NATO stuff, when we suddenly find that we aren't even allowed to use it for ourselves?

"What point is there in our giving you these air bases and supporting all of your policies if you aren't going to stand with us when it is a matter of our oil, and our economy and our future?

"Why don't we just save all this money we're spending on defense, and make the best of it with the Russians?"

We find these words of this ordinary man of everyday affairs specially interesting. We think we see in his words the explanation of much that is going on in the world today. They reflect the basic nature of the difficulties that the United Nations and all of the current day alliances are having in keeping the world in general on an even keel. Note that he has heretofore been favorably inclined to the Anglo-American alliance for the reason that he thought he could count

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How Long "Tight Money"?

By RAY D. MURPHY*

Chairman of the Board,
The Equitable Life Assurance Society of the U. S.

Citing surveys that $136 billion investment is required to bring plants up-to-date, and denying the Federal Reserve made money tight, Equitable Life Chairman avers further credit expansion at this time would lead to instability. In criticizing a proposal made before the American Bankers Association Convention, Mr. Murphy opposes plans to destroy the Federal Reserve's independence. Predicts tight money will end with an easing up of the labor force and industrial expansion rate; denies little fellow is prime victim of tight money; and opposes selective credit controls and Federal mortgage policies.

When one of my associates suggested "How Long Tight Money?" as a subject for my remarks I protested mildly since I dislike being cast in the role of a prophet. I had to admit, however, that it is a provocative subject, and most timely. Hundreds of important business decisions are hanging in balance while executives strive to find the answer to this question. While I disclaim being endowed with any special powers of prophecy, the question posed does present an opportunity to discuss some aspects of our monetary situation which may shed some light on the outlook for interest rates.

R. D. Murphy

Before discussing "How Long Tight Money?" however, let us first consider "Why Tight Money?" If you were to ask business people why money is tight many would say that the Federal Reserve Board has made it tight. This is a popular misconception. Actually our money supply as measured by demand deposits and currency in circulation is higher than at any previous time in history. The mutual savings banks, savings and loan associations and the life insurance companies, have all established new high records

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*An address by Mr. Murphy before the National Association of Mutual Savings Banks, New York City, Dec. 3, 1956.

The Role of Credit In Economic Growth

By HANS A. WIDENMANN*

Partner, Carl M. Loeb, Rhoades & Co.
Members New York Stock Exchange

Mr. Widenmann maintains it is too little realized that growth is creating its own problems and pressures, is not automatic, and requires a tax system, banking system, debt structure, and a money and credit system in which it can operate effectively. Strongly maintains independence of Reserve should be strengthened rather than weakened. Notes growth requires bigger savings as well as the capacity to expand debt, and recommends we take a fresh look at bank holding company restrictions. Concludes we must all do something about our fabulous growth instead of just talking about it, or "it may choke us."

In 1890, in an editorial in the Hartford "Courant," Charles Dudley Warner said everybody talks about the weather but nobody does anything about it. Today everybody talks about growth — the fabulous growth of this economy, but nobody is doing very much about it. All of us have seen unbelievable technical progress in our lifetime — not having thought very much about how it all happened, we kind of take it for granted that this miraculous unfolding of new breath-taking products—unheard of today—but a reality tomorrow—will continue. Partly because the pace is so fast we unconsciously assume that as long as we have sound fiscal and monetary management—growth will take care of itself — hardly realizing that growth is creating its own problems and pressures. But this growth business is not like anything we've had before—the demands it is gener-

Hans A. Widenmann

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*An address by Mr. Widenmann before the National Association of Manufacturers' Congress of American Industry, New York City, Dec. 6, 1956.

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertaking in our "Securities in Registration" Section, starting on page 46.

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.)

E. TED BOLL

Director of Research
Fusz-Schmelzle & Co.
St. Louis, Mo.

Thermo King Corporation

When selecting a promising growth stock, I like a company which appears to have a quality product supplying an essential industry and capable of ultimately becoming a dominant factor in its field. Thermo King Corporation has demonstrated in a relatively few years that it has developed one of the best products in its field and is recognized today as the leading producer of mobile mechanical refrigeration units and currently supplies about 80% of the national market for over-the-road-haulers. The "Thermo King" unit which you see on the upper front of many cross-country trailers was doubtlessly selected by the owner because of the very high operating efficiency of the unit in addition to the lightness in weight, compactness and the ability to obtain national service. While the units vary in cost depending on size, the company sold more than $12 million worth in the fiscal year ended Nov. 30, 1955. That represented a $3 million increase over the previous year or a percentage gain of better than 33⅓%. In 1950 the company reported about $5½ million in sales. Sales for the 1956 fiscal year are expected to increase again about $3 million and the future for the company appears extremely bright, particularly as the national road construction program progresses, the population continues to grow and the demand for frozen foods and perishables increases. Already it is noted that some localities are endeavoring to prescribe by law the standards of refrigeration required in the transport of foods and other perishables.

E. T. Boll

The company, having established its reputation as the chief supplier of efficient refrigeration units for cross-country trailers and trucks, has recently made an effort to develop other sources of business to supply the important customer diversification which most alert managements seek. An illustration that the company's valuable research has proven profitable may be had from a contract recently received from the St. Louis Public Service Company for 100 "Thermo King" units to air-condition that number of buses for mass transportation in 1957. Two of these buses were in experimental operation during the hot 1956 summer months and the enthusiastic response registered by bus riders was instrumental in the contract award. Because of the rapidly growing population in the Middle West, Southwestern and Southeastern States, this entirely new source of business may be an important factor in the near-term growth of this company.

Another new undeveloped field in mobile mechanical refrigeration is the national transport of trailer trucks by railway and international shipment of trailers and sealed cargo cases by boat. Both of these newer methods require constant refrigeration and the famous "Thermo King" unit is expected to play an important part in this development. Also many carriers are beginning to realize that to attain a higher percentage of two-way payloads, their equipment must include efficient refrigeration units. On a nation-wide basis, this new development should stimulate sales sharply in the near future. Several foreign distributorships have been established and foreign operations should soon prove profitable. Several other important applications requiring small, compact, high capacity refrigeration units appear imminent.

In addition to the units adapted to highway use, the company owns a two-thirds interest in a subsidiary known as Thermo King Railway Corporation which has developed a mechanical refrigeration unit for railway refrigerator cars. This unit varies the temperature and humidity of each car according to the requirements of the perishable freight in transit. This market appears to offer good prospects for future growth as the current trend in the use of frozen foods continues to increase and the railroads endeavor to reduce spoilage and operating costs and speed up deliveries. This company has already furnished many units to various meat packers and other large shippers of perishables such as the Sante Fe.

Another source of potential profit is a wholly owned subsidiary, General School Equipment Company, which manufactures school desks and functional furniture for offices, institutions and schools. This operation is expected to increase substantially over the next few years as the nation steps up the building of more school facilities for the rapidly increasing population.

The early growth of the company's operations in Minneapolis was accomplished in several comparatively small plants scattered in various parts of that city. However, in the spring of 1956, a new plant with 90,000 square feet of floor space and 22 acres of adjoining land was acquired and refrigeration manufacturing operations are now consolidated under a single roof with ample space available for future growth. The new plant is calculated to increase operating efficiency sharply and the operating economies effected should become apparent in subsequent earnings statements.

During the steadily expanding sales volume of the last five years, the company maintained a conservative capitalization and at the present time there are only 900,000 shares of common stock outstanding on which the company is expected to earn about $1 per share for the fiscal year ending Nov. 30, 1956. Last year an insurance loan of $1 million was obtained to partly finance the expansion program.

Since mobile mechanical refrigeration has barely emerged from the experimental stage, Thermo King with its favorable experience in research and high product acceptance should be in excellent position to participate in the substantial future growth in the field of mobile refrigeration and the compact, light weight, refrigeration equipment markets. The common stock of this company appears to me to have the essential ingredients of a good growth stock offering attractive appreciation prospects over the next few years. The stock is actively traded in the Over-the-Counter Market and presently sells around $8 to $9 per share.

This Week's Forum Participants and Their Selections

Thermo King Corporation — E. Ted Boll, Director of Research, Fusz-Schnelze & Co., St. Louis, Mo. (Page 2).

Texas Industries, Inc. — Earl D. Milton, of Campbell, Henderson & Co., Dallas, Texas (Page 2).

EARL D. MILTON

Campbell, Henderson and Company,
Investment Counsel,
Dallas, Texas

Texas Industries, Inc.

Having suffered from a chronic case of indigestion during the past year, resulting from over-expansion and rising costs, Texas Industries is now on the road to recovery. Consequently, this attractive growth stock is recommended for purchase at the current depressed price of approximately 5¼. The problems besetting the company last fall and earlier this year are being solved. Major economies have been effected and the profit picture is showing striking improvement.

Earl D. Milton

Primarily engaged in the concrete and structural products business, Texas Industries operates 30 plants in Texas, Louisiana, Oklahoma, Kansas, Minnesota and Iowa. In addition, some five subsidiary companies and three affiliated companies are engaged in such diverse operations as financing, housing developments, mining, ceramic tile, mahogany, steam boilers and oil and gas properties.

In 1950 the company owned one Haydite lightweight aggregate plant and had total assets of $356,000. Today, total assets are near $15 million and would surpass $25 million if all controlled affiliates and unconsolidated subsidiaries were included. Net sales rose in the latest six-year period from $217,000 in 1950 to over $12 million in the year ended May 31, 1956. It is estimated that 85% of the sales are derived from commercial and industrial construction and the remaining 15% from residential construction and other activities.

Texas Industries is the nation's leading producer of Haydite, a lightweight aggregate made by heating shale and clay to over 2,000°F, causing the raw material to expand, creating millions of non-connecting air cells. When used as an aggregate or in masonry blocks, the result is unusual insulation and acoustical properties, ample strength and a 40% saving in weight. Many of the larger buildings in Texas and surrounding States have been using Haydite to save weight and cost.

Other products which have met with success are concrete masonry products, ready-mixed and mixed-in-transit concrete, sand and gravel, crushed stone, and precast concrete structural products such as concrete block and pipe. The company also offers Holiday Hill Stone and Canon Brick in a variety of color and sizes for interior and exterior uses in residential and commercial construction. Sales have exceeded the company's ability to produce these attractive building stones.

The crux of the problem which caused the common stock to drop

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Long-Range Rail Outlook

By DAVID M. DAY*

Manager, Transportation and Railroad Section
Moody's Investor Service

Recognized rail securities' specialist compares investment prospects of stock and bonds during the current tight money market; and discusses the probable future outlook of individual carriers, including the changing impact of accelerated amortization upon earnings. If, as is expected, the 1957 freight volume does not differ much from 1956, and the pending emergency rate relief application when granted more than offsets increased added cost, then railroads, according to Mr. Day, should produce somewhat better earnings in 1957 than in 1956. Author reviews rails competitive position to total freight traffic; and expects freight volume in next decade to increase 20% to 25%, and fast amortization's cessation after 1957-8 to cause earnings to decline.

Some people look upon the railroads as an antiquated and outmoded form of transportation that is being gradually displaced by the private automobile, airlines, and trucks, and for that reason, feel that rail stocks, at best, are a dubious type of investment. Therefore, I feel impelled to talk briefly on the long-range outlook for the industry.

As you all know freight traffic is the backbone and breadwinner for the carriers and is, by far, the major portion of their business, accounting for 86% of total operating revenues. Trucks, inland waterways, and pipelines have been steadily eating into rail freight traffic so that the rails share of the nation's total inter-city freight ton mles has declined from 76% in 1925, to 61% in 1940, to 56% in 1950, down to 49.4% in 1955. However, in the past 2 or 3 years, the rate of decline has tended to slow down. For instance, the 49.4% in 1955 compares with 49.5% in 1954, and some authorities believe that railroads, in the future, will be able to hold their share of the overall traffic at somewhere near the 50% level. Time does not permit me to go into the evidence that supports this belief, but, if further inroads are made into rail traffic by other modes of transportation, I believe the erosion is likely to be much more gradual than in the past.

The railroads, while they have lost freight business in relative terms, have, nevertheless, gained in absolute terms. That is, this freight traffic has been increasing but has failed to keep pace with the more rapid rise in overall inter-city freight traffic. All inter-city freight transportation in the 15 years between 1940 and 1955 increased a robust 108%, but the railroad gain in ton mileage was a comparatively smaller 68%. In its forecast covering the next 10 years, **Railway Progress Institute** estimates a 44% increase for overall inter-city freight traffic and a 41% gain for rail freight traffic alone. This is predicated on a continued high level of business activity, growth in population, and higher standards of living. This forecast may be over-optimistic, but I believe rail freight volume may increase 20 to 25% in the next decade. This does not make the rails a growth industry, but it does provide a basis for some future optimism. Aside from rolling stock, the railroads could handle a much greater volume of traffic with their present facilities, so that a heavier traffic load would be tremendously beneficial.

I am not at all optimistic with respect to passenger business, but as this service is generally operated at a loss, I am little concerned with the inroads currently being made by the private automobile and airlines. Forced to run lightly patronized trains, at fares which fail to compensate for increased costs, most railroads in my opinion, would be better off if there were some way they could get rid of their passenger business.

The Current Earnings Picture

Despite a slight gain in traffic volume, Class I railroad earnings in 1956 will fail to meet the near record net income of 1955. I estimate $850 million as compared to $925 million last year. The reason for the lower earnings is that the 6% freight rate increase, granted earlier this year, was not adequate to fully offset higher wages granted late in 1955. Moreover, the freight rate increase did not take effect until the middle of March, so that 1st quarter net income was substantially below 1st quarter earnings in 1955.

Recently, a three year wage agreement was negotiated with the non-operating brotherhoods, which calls for a 12½c an hour increase effective Nov. 1, 1956, with 7c additional each Nov. 1 thereafter. It is presumed that the operating unions will settle on a similar basis. If all employees agree to these terms, it will cost the industry $330 million annually the first year, and $85 million additional each succeeding year. There is also an escalator clause calling for a 1c an hour wage increase for every ½ point rise in the cost of living index. This worries me some, as the cost of living index has gone up three points since the first of the year and could rise 10 points in three years.

To offset these added wage costs, and to meet increases in material and fuel costs, all of the railroads have asked the ICC for an emergency 7% hike in freight rates. This is likely to be granted, and probably will go into effect around Jan. 1. With dues allowances for exemptions and rate limitations on coal, lumber, fresh fruits and other commodities, and

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*An address by Mr. Day before the Association of Customers' Brokers, New York City, Nov. 27, 1956.

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Promoting World Trade

By HON. SINCLAIR WEEKS*
Secretary of Commerce

Remindful that this is the 22nd anniversary of the Reciprocal Trade Agreement Act, Commerce Secretary presents Administration's trade promotion and protection views, and declares the Administration will again seek Congressional approval of U. S. membership in O. T. C. in order to implement foreign trade expansion efforts. Offering "moderation" as the proper approach to tariff issues, which is shown to cross party lines now in the South, Secretary Weeks declares liberal or protectionist extremism might cause Congress not to pass new reciprocal trade agreements or to enact further quotas on imports

The history of tariff making in this country is a fascinating one. The main source of revenue for the United States until the advent of the passage of the income tax in 1912 was the import tariff.

Sinclair Weeks

During the 19th Century it is interesting to observe that whenever business was good tariffs were lowered—presumably because the farmers did not participate fully in the prosperity and because government revenues were larger than those required.

When business was bad it became necessary to raise tariffs again both to produce the needed revenue and to give to industry the necessary opportunity to develop. The extent of the swing is shown by the fact that duties collected on all imports — whether dutiable or not—ranged from 15% to 45%.

Swings Back and Forth

I recite this bit of history simply to show that the swings back and forth necessarily brought about unstable conditions in which long-range economic planning on the part of businessmen was exceedingly difficult.

Since the turn of the century and until 1934 fluctuations up and down on the tariff scale continued, with variations, however, less pronounced.

When I spoke to you three years ago I pointed out that it was Secretary of State Blaine and President McKinley, when he was Chairman of the House Ways and Means Committee, who first brought into our tariff legislation the authority to enter into reciprocal trade agreements. After a lapse this authority to bargain reciprocally on trade matters was recreated in 1934.

The changes in our tariff procedure instituted in 1934 reflect the change in our position in the family of nations. As a new young nation a hundred years ago more than 75% of U. S. exports were composed of raw materials and unprocessed agricultural products, while 75% of our imports were then finished or semi-finished industrial products. Today, nearly 75% of U. S. commercial exports, or in 1956 an estimated $12¼ billion, are manufactured goods—approximately twice the dollar amount of our imports of finished and semi-finished manufactures.

Importance of Exports

Toward the close of the last century, significant changes began to take place. U. S. exports for the first time exceeded our imports. Since the United States became a creditor nation during World War I we have been continually confronted with the problem of bridging the dollar gap.

Exclusive of military aid, total exports in 1956 are expected to approach the $17 billion mark, as compared with $14.3 billion last year and $12.3 billion in 1953.

Export sales of such magnitude are obviously too important to us and to our economy to be placed in jeopardy by an unwise, unbalanced protectionist policy. These exports represent the produce of about 36 million acres of farmland and 1/10th of the manufactured goods of the country. Over four million American workers and their families are largely dependent on foreign trade.

On the import side I need only point out that we are dependent on foreign countries as a part of our over-all trade pattern for many of our foodstuffs and essential raw materials.

Japanese Trade Creates Problems

In the present alignment of the Free World as opposed to the Iron Curtain countries, we believe it to be in our interest to see that every free country is economically strong. Let us look at one of our important partners, Japan. In 1955 Japan acceded to the General Agreement on Tariffs and Trade but of the 32 member nations she was able to persuade only 18, including the U. S., to enter into trade agreement negotiations. Practically all of these 18 countries have established stand-by measures which operate to protect their domestic industry. However, the U. S. opened wide its doors with no special restraint or hedge looming in the background. The remaining 14 GATT countries invoked article 35 under which they obtained release from the obligation of negotiating at all with Japan—with or without hedges.

Low-Wage Competition

This Japanese picture highlights the serious problems confronting high wage countries from competition by highly industrialized low wage countries. In attempting to reach an equitable and long-range solution every nation should give equal consideration both to their responsibility to their Free World allies and to their obligation to maintain healthy domestic industries. Neither of these objectives should be sacrificed for the other. The President has frequently stated that in promoting the reduction of barriers to world trade no domestic industry would be placed in jeopardy.

It is essential for the United States in the interest of Free World security to remain economically strong. Searching problems are raised with respect to this objective when our industry is subjected to competition from equally efficient industries of other countries operating with wage scales and a standard of living substantially below ours.

Administration Promotes Trade

I present myself before this audience concerned with the problems of foreign trade today not only because of the statute which charges the Department of Commerce "to foster, promote, and develop the foreign and domestic commerce . . . of the United States."—but also because of my very deep conviction that trade between the nations is good.

To spell out this last statement that trade between the nations is good would only be to emphasize

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*An address by Mr. Weeks before the 43rd National Foreign Trade Convention, New York City, Nov. 26th.

The State of Trade and Industry

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

A somewhat lower trend prevailed last week in total industrial production as declines took place in automotive, electric power, coal and paperboard industries. Compared with a year ago, however, total production continued at a higher level.

Unemployment claims in the latest week showed fractional declines and were 7% under those of last year. Increased employment occurred in the food processing, construction and lumber industries.

Rising employment has created a marked shortage of labor in at least two major New England areas. It's also plaguing employers in many other parts of the country, the United States Department of Labor reported. Many big industrial centers report jobholders at a record high, with the total still mounting. Employers in four-fifths of the areas checked said they anticipate job gains into early January.

New claims for unemployment insurance by jobless workers dropped by 1,900 to a total of 215,000 during the week ended Nov. 24. New claims a year ago were 208,300. Insured unemployment, the Bureau of Employment Security noted, went up 14,200 to a total 951,000 during the week ended Nov. 17. The total in the like week of 1955 was 843,300. The increase in this category was attributed to seasonal curtailments in a variety of industries and the effects of claimant rescheduling because of holidays.

The cost of living went up to another new high in October, and officials said it probably would go still higher during November.

The consumer price index rose 0.5% to 117.7% of the 1947-49 average, the Bureau of Labor Statistics said. It was the fourth new record this year, and the Bureau's chief, Ewan Clague said the November index "tends to be pointed upward." He would not guess how much.

However, Mr. Clague indicated he was not disturbed that the continued climb would result in inflation.

The price index increase means a two-cent an hour pay boost for more than 1,000,000 auto and farm equipment industry workers. Some 300,000 other employes in the aircraft and metal working industries also will get hourly wage hikes of one to two cents, the Bureau added. Some electrical workers will also get more pay.

Steel mills are fighting a desperate battle against rising costs. Some companies are using every device short of a base price increase to bolster shrinking profit margins, "The Iron Age," national metalworking weekly, states this week.

The cost-versus-price struggle approaches a climax as the mills head into one of the busiest periods in steel history. The combination portends an upward break in steel prices soon, probably in the form of steel extra boosts as opposed to base price advances, it adds.

Meanwhile, the delayed impact of Suez probably will hit the steel market in January. United States efforts to help Europe weather the aftermath of the "little war" in Egypt will affect such critical products as plates, structurals, and pipe.

It is estimated that by Jan. 1, steel production costs will have risen a conservative $5 a ton since the steel labor wage settlement of last August. At that time, the mills boosted base prices an average of $8.50 a ton, but the increase was considered by some mills to be less than enough to cover cost boosts up to that time, declares this trade weekly.

Record steel scrap prices are the major threat to steel earnings, but other raw materials also have risen. These include coal, ferroalloys, iron ore and pig iron. Freight rates are likely to rise in the near future. Under the cost-of-living clause in labor contracts, steel wages are expected to rise three cents, possibly four cents, an hour Jan. 1.

Under these conditions, something has to give. If base prices are not increased, then steel price extras, charges made by the mills for special processing and handling, will go up. Perhaps as much as $3 a ton, states "The Iron Age."

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Observations . . .

By A. WILFRED MAY

THE INVESTOR AND HIS YEAR-END TAX HOUSEKEEPING*

Midst the deluge of detailed information—rules, regulations, instructions, avoidance hints, etc.—descending on the individual from every direction and source midst this tax-housekeeping season, this column will confine its contribution to a few general *caveats* for the logical investor. Above all—and this assuredly is worth emphasizing and re-emphasizing—you must *realistically* appraise the relative weight to be apportioned between tax incidence and basic investment principles.

A. Wilfred May

Discipline yourself to keep that nasty threatening tax collector in proper perspective! Refrain from over-emphasizing the tax factor, a tendency stimulated by the deluge of year-end literature for the tax-troubled; bearing in mind that it should only constitute one of many factors influencing your portfolio decisions. Equally objectionable is the temptation to under-emphasize and gloss over the readily calculable dollar-and-cents total of the tax bill. An example of such under-emphasis is the habit, a year-round proclivity, to gloss over the tax on the acceptance of unrealized capital appreciation, an inexorable inroad thereon but often sugar-coated if not actually desensitized under that soothing platitude about *never getting poor through taking profits*.

Profit-Taking Realism

The simple incontrovertible, though apparently distasteful, truth is that a decision to cash in a capital gain should be premised on the conclusion that the held stock is over-valued in relation to the medium to which the proceeds are to be transferred, be it cash or another security, by at least the amount of the tax bill accrued on his capital appreciation. For example, the long-term holder of X stock bought at 40 and now selling at 120 is justified in selling only if he is convinced that X is overpriced by $20 (the amount of his tax payable at the 25% ceiling) or by 17% in relation to either another available attractive stock or to cash. In effect (that is, net after tax) he is selling his stock for 100, not 120. Either he should see something equivalently undervalued into which to switch, he is convinced that the 100 (not 120) constitutes an advantageous liquidating price.

And realistically, one certainly *can* "get poor through taking profits," via the tax-slicing of a substantial increment off the profits of successively gaining and losing transactions—embodying the heads-you-win-tails-I-lose process of attrition.

In over-emphasizing the tax factor, overzealousness to offset it often leads to pointless, and even costly, registration of bookkeeping losses through failure to allow for the accompanying transaction expenses. The net gain or income against which the loss is to be offset must exceed not only the loss but the brokerage commission and the transfer tax incurred in the switch.

For example, on a switch between stocks selling at 17, since these expenses would amount to $52[1] on a 100-share lot, making the effective cost of the new stock $17.52 and not $17 per share, the switch is justified only if the loss on the sale of the old stock is sufficiently large to offset the additional half-point on the new. Thus, in the case of a high bracket taxpayer (as 66⅔%), he would require a market shrinkage of 1½ points before he would derive one cent of tax saving. Short of a 1½-point registered market depreciation, he actually loses money.

Moreover, it must not be forgotten that in connection with a switch for tax-loss purposes, in the event of success investment-

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*Excerpts from a lecture in the series "Your Investments" at the New School for Social Research, New York City, Nov. 29, 1956.

1 Embodies the sales transfer tax as calculated on a stock having a par value of either $100 or no par value, which tax amount is graded down in the case of intervening par values.

Florida and the South

By ROGER W. BABSON

Well-known investment adviser analyzes the potentialities of Florida and the South. Mr. Babson says lighter industries are finding the South more and more the ideal spot in which to locate.

Florida holds a future both for itself and for you. Practically all of Florida is still growing in many directions. Light industries are finding the South more and more the ideal spot. Labor is somewhat cheaper and absenteeism is far less than in the North. People are healthier and seem happier in a climate like Florida.

Roger W. Babson

In Florida's expanding economy there are plenty of jobs for people who are willing to work. There appears to be room for everyone. Certainly, the South is always looking for young people willing to learn some trade. The cattle and farming industries in Florida are growing. Builders and engineers are needed. In fact, most professional men can settle in the South today and have no difficulty finding work.

Older People Still Flocking South

Men and women still think of Florida as the ideal place to retire. Every year thousands go to Florida to do just this. Subsidizing retirement at 65 years of age has helped to bring these people South. They know that living costs are cheaper there, and this will be especially true if the United States is going into a "cold cycle." After the North, it is a climate in which to sun and play outdoors. I do advise, however, that every Southern home provide artificial heat. Fuel bills are comparatively small and clothing is less expensive. No elaborate or expensive winter clothing is needed, although the women still want one little fur jacket! Rents are lower. One can build a very modern house that may be planned to make housekeeping light. People are finding it constantly harder to get servants and hence are using that money to go out to their local Country Club for some meals.

Long-Term Future for All the South

The constantly increasing population of the United States is bound to affect the population of Florida and other Southern states. Cities will grow there very quickly. Think of your own small town where you live and you can see for yourself that since the war there has been great growth all around you. Construction companies which you knew as little concerns before the war have grown into very large operations. This will happen to many present-day small construction companies in the South as more and more year-round homes are built.

Most Southern cities will have to enlarge their airports to handle the traffic and also to make them safe for the jet age. All the South needs more parking space for cars. Taxes are low in Florida, which has no State income or inheritance tax, though it does have an "intangible" tax.

Land as an Investment

After the next stock market crash people will recognize that good real estate, especially in an inflationary era, is the best investment. I have always advised buying a small piece of property on the outskirts of a small town and setting tight until the town grows out to you. If you should sell acreage land, hold onto the mineral rights. Often a separate and very profitable sale can be made of these rights alone later on. The oil industry has yet to hit the big jackpot in Florida and the Southeast, but it is coming some day.

Florida and other Southern states will continue to attract tourists both winter and summer. Now that the airlines and hotels have special summer rates, the South has a whole new income undreamed of before. Remember Daytona Beach with its world-famous hard sand racing beach, Cypress Gardens, the Everglades National Park, Hialeah and its pink flamingoes, Key West with its famous deep-sea fishing, Lake Wales and the beautiful Bok "Singing Tower," and Marineland with its magnificent aquariums. Finally, if World War III should come, Central Florida should be a very safe place in which to live. It should escape bombing and also be sure of plenty of food and fuel.

Baker, Weeks & Co. Admit Three Partners

Baker, Weeks & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Frank W. Bartlett, Emil J. Hausmann and Edmund B. Sullivan to partnership.

Hayden, Stone to Admit Partners

On Jan. 1, Hayden, Stone & Co., members of the New York Stock Exchange, will admit Carleton H. Simmons and David B. Stone to partnership. They will make their headquarters in the firm's Boston office, 10 Post Office Square.

On the same date, Albert Ehrenfreund of Albany, a limited partner in the firm, will become a general partner.

J. L. Loeb Elected

John L. Loeb, senior partner of the New York investment banking firm of Carl M. Loeb, Rhoades & Co., has been elected Chairman of the Baord and of a newly created executive committee of The Cuban Atlantic Sugar Corp.

Providing Energy Self-Sufficiency To Permit Economic Survival

By JOHN JAY HOPKINS*

President and Chairman, General Dynamics Corporation

Contending "that the crisis we face in respect to energy is so great, and time so short, that we must pool our atomic resources or die," Mr. Hopkins calls for the immediate establishment of a new economic and scientific Free World Organization for atomic development to meet the dual threat of rapidly diminishing fossil fuels and enemy seizures of oil and coal deposits. General Dynamics head avers that the U. S. A. by 1980 will require nuclear energy for a sizable part of its power needs, and that the Western nations face a much more immediate and urgent problem. Author depicts this as a long-range program to eradicate poverty and equalize energy resources, as well as an immediate, short-range emergency program.

Our presence here at the world's first major international industrial conference on atomic energy in the history of the world reflects an awareness of the urgent need for a more energetic and more effective industrial atomic leadership, and a recognition that this leadership can be achieved only through that understanding which, in its intuitive and logical aspects, transcends mere knowledge.


John Jay Hopkins

Your very presence here is, then, a manifest of industrial statesmanship—an act of leadership.

Faced with a three-day work schedule, and having already done our homework in both French and English with the help of a basic work paper, "The World Wide Industrial Role of Nuclear Energy," I am sure little or nothing would be gained by a mere reprise. I shall deal, therefore, in an abbreviated fashion with certain ideas and conclusions that are implicit in the material we have studied. Further, I shall make what I regard as logical extrapolations of our basic text in terms of the present world political and economic crisis.

I think it may be truthfully said that the sweeping scientific and technical revolutions of this era have all but annihilated those traditional concepts of time and distance and dimension which were in general acceptance but one generation ago. It must now be obvious to all that men and nations are so closely bound together in a physical, as well as an economic, sense that the domestic view may no longer be the prevailing view. The world view must prevail. And by "world view" I mean world welfare—not world domination.

*An address by Mr. Hopkins before the 3rd International Conference of Manufacturers, sponsored by the National Association of Manufacturers, New York City, Nov. 29, 1956.

Strengthen the Western Foundation

The Free World is face to face with such an implacable foe that a too rigid or too sentimental devotion to historic precedents, or to the glorious achievement of past years, may well be not merely short-sighted but, indeed, a most dangerous attachment. In the constricted world situation of today, the need for wise and effective leadership, based upon an understanding of the latter day economics and humanities involved, must now be a problem common to all nations of the Free World. Concern with the obligations and penalties of modern leadership must be of particular relevance to the industrialist for, essentially, the entire basic responsibility for the maintenance of a nation's economic posture belongs to that nation's industrial leaders. They must manage, profitably and economically, their own businesses; they must advance the material well-being of their nation; and they must furnish those products which, in terms of military material, provide physical security from aggression.

If this Conference should broaden our individual understanding, it will have done well. But not, in my opinion, well enough. Understanding is, indeed, urgently required; but understanding alone will not suffice. For understanding is worthwhile only if it is antecedent to action. No group of individuals is better prepared than the industrialists of the Free World to acquire the proper understanding and to act upon it. And in no area of world interest is such leadership more desperately needed than in the area of energy resources.

In the great energy potentials of the atomic nucleus, we possess virtually unlimited power resources. But the development of a technology for broad and immediate applications of this great power has thus far lagged behind theoretical and experimental research. Much must be done before the massive potentials of nuclear energy are realized. In the context of today's explosive international political situation: Does the Free World have sufficient "lead time" to make the giant scientific strides required before nuclear energy can assume a substantial part of the energy load now carried by coal and oil? Does the Free World have the material and human resources needed to achieve the "breakthroughs" that will avert a world-wide energy famine and a consequent world-wide economic catastrophe? Does the Free World have the spiritual fortitude to seek the lessening of political and military action and, ultimately, the peace of the world? It is exceedingly difficult to answer these questions in any specific or objective fashion. For they are compounded of those complex social, political and economic considerations which reflect the present dangerously unstable international picture. Once, however, we have stripped away the host of variables which obscures the basic outline, a definite pattern does emerge from which, it seems to me, we may develop two basic referents. And these referents, or more specifically, "time schemes," will serve to define our present strengths and weaknesses—and to govern our course of action.

From now on, I believe, our survival, as individuals and as nations, must be conditional upon two "time schemes": (1) "the geological time scheme," and (2) "the politico-economic time scheme."

Politico and Geological Time Schemes

It is perfectly safe to postulate a maximum over-all time limit beyond which all economic development throughout the world must begin to decline and eventually cease—unless supported by the massive employment of nuclear energy.

I should say that a quite safe and unspectacular estimate of this economic deadline would be in the nature of one hundred years. I am apprehensive that the actual deadline for the Free World will be far shorter. We shall find, I fear, the date of depletion and exhaustion, or inaccessibility of our world fuel resources rushing upon us with lightning speed.

This is so because, to the "geological time scheme" must be applied the negative effects of an exploding energy demand, or of the imminent possibility of a military coup, or of selfish nationalization, or of fanatical sabotage.

We are confronted, it seems to me, with an economic "pit" and a military "pendulum." The depletion of the Free World's fuel supplies by explosive demand, by seizure, by sabotage, or by nationalization, is crowding us inexorably toward destruction.

A brief examination of each of these "time schemes" reveals a darkly ominous picture:

Coal and Oil Are Finite

The "geological time scheme" is determined partially by the extent and distribution of existing conventional fuels and partially by economics—the rate of consumption with respect to the expanding energy needs of all nations. It is quite true that discoveries of new petroleum, coal and natural gas fields have been extensive during the past 25 years. New exploration methods, new and more efficient stripping of what had been considered exhausted wells or fields, and vastly improved drilling and mining techniques have all combined to increase both the supply of fossil fuels and the amount of proven reserves. This has led some of us to believe, most unwisely I am sure, that the limit to conventional fuel resources is so remote as to constitute no cause of concern to this and the next few generations. Nothing, it seems to me, could be more dangerously contrary to the truth of the world energy situation in its political, technical and economic phases. Because of precipitously rising energy demand, coal and petroleum resources are geologically and economically and imminently finite. If we accept, as I am certain we must, the dual premise that all presently underdeveloped nations of the world are on the road to industrialization, and that those with mature economies are without exception committed to further industrial expansion, then the consumption pattern of fossil fuels must very soon exceed even the most optimistic estimates of future coal, oil and natural gas reserves.

Pending U. S. A. Energy Deficit

The United States, for example—one of the world's leading producers of conventional fuel—must, by 1975 or 1980, begin to rely upon nuclear energy for a sizable part of its power needs.

A significant index of the degree of American concern with the imminent energy shortage is the prediction that by the early 1960s all major United States naval vessels authorized for construction will be propelled by nuclear power. A visible symbol of this atomic power "revolution" is the USS "Nautilus." I should like to suggest that nations are like submarines in at least one respect: As long as they depend on petroleum or coal they cannot do what they want, when they want. With the advent of nuclear power, submarines—and nations—have hope of a new measure of independence.

Indeed, I think we may postulate that the ultimate economic objective of an industrialized nation is to be capable of remaining indefinitely self-sufficient with respect to energy. Such economic freedom is possible only with nuclear fuels.

Current estimates of the available coal and petroleum in the Western Hemisphere portend, I would say, a rapidly approaching crisis in conventional energy resources. Without making any allowance for a gross national product increase of nearly 4% each year, or for the fact that the use of liquid fuel, because of various economic and military factors, is also expanding at a rapid rate, the time schedule is frighteningly short. The estimated reserves of the Western Hemisphere both discovered and undiscovered, not including "offshore," is perhaps 200 billion barrels. Of this amount the United States has estimated reserves of 75 billion barrels.

American consumption of liquid fuels is averaging at present something like 9,000,000 barrels a day, or more than 3 billion barrels a year. It would appear that the United States possesses no more than 20 to 25 years' supply of economically valuable petroleum. Of course, new wells are continually being brought in, and it is difficult to estimate accurately "offshore" reserves, but it is significant that American prospecting costs have nearly tripled since 1935. As wells become deeper, pools more scarce and conditions for prospecting more difficult, such as in "offshore" installation, the unit cost of oil must increase sharply and must, therefore, have a consequent inhibiting effect on the economic growth of the United States and Latin America. Even the much larger coal reserves and shale oil deposits from which hydrocarbons may be recovered are not as extensive as one would imagine at first glance. This is because of the tremendous energy loss in any conversion process. Moreover, any such development would require large capital outlays for plant operation and maintenance. These would have a profound effect on the unit price of fuel and also inhibit economic growth.

As I have pointed out in the basic work paper, "The World Wide Industrial Role of Nuclear Energy," "coal and oil have at present no equals, and it seems doubtful that they will ever be replaced as fuels for light transportation, home space heating and machine lubrication" — to name only a few of their many important applications. Moreover, coal and petroleum, as chemical compounds, have many potential applications outside the power sphere, the petro-chemical and aniline industries being cases in point. It would seem, indeed, a crime against future generations to waste such versatile and irreplaceable mineral resources in uses which can be supplied by nuclear fuels.

Even postulating an uninterrupted flow of Middle Eastern oil into Western Europe, a most dubious possibility at best, industrial expansion of this region cannot continue at an economically favorable rate of increase. Dynamic population growth all over the world—and an irresistible urge, in under-developed nations, to convert their agrarian economies into industrial economies — will also be frustrated, it seems to me, by a progressively rapid depletion of fossil fuels. This must inevitably continue to incite extreme social unrest and to create situations of explosive violence among three-fourths of the world's people.

What then is a reasonable geological "time scheme"? If world energy demand and world population growth exhibit the same pattern of increase as they have since 1900, I would venture to say that the limit year is 1980—less than 25 years away.

We have already predicated a geological time scale of but 20 to 25 years for the United States, without sharply increasing unit costs for energy, before we see the beginnings of an economy of

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Tankers Away

By IRA U. COBLEIGH
Enterprise Economist

Some consideration of the critical ship shortage created by the Suez stoppage, and a swift look at a major American enterprise dedicated to the correction of this shortage—Newport News Shipbuilding and Dry Dock Co.

Ira U. Cobleigh

It will take six months, and $40 million, at the very least, to salvage and remove the 48 hulls and hulks that block the Suez Canal; and to restore that strategic waterway to fluid usefulness in the sea-going trade of the world. This is crazy. The economic gains Nasser sought to realize by grabbing the Canal, could easily have been achieved by temperate negotiation with Western powers; while the mayhem he has created by inciting invasion, and by sabotaging this vital artery is bound to harm Egypt, relatively even more than it harms the essential marine trade of Western Europe. Egypt was a poor country but it was more likely to prosper on British tankers than Russian tanks!

Be that as it may, the fat (if not the Farouk), is in the fire and 1,200,000 barrels of oil a day which used to glide through Suez in the holds of tankers, glides no more; and the petroleum must be supplied from other sources. Which brings us smack up to today's topic. Tankers paid 65% of the Suez tolls last year; they are the very scarcest of craft in world shipping today, and represent some 50% of the goods on order in the shipyards of the world.

The most typical unit in this category is the T-2 tanker. We built them by the hundreds in World War II, at a cost of about $3 million apiece. Postwar, this craft declined in price, and in 1954 you could have picked one up (for American flag operation) at a million or so. Right now the same craft would cost you $2.8 million for American flag running; and for foreign flag operation one such might command $4 million. Such is the scarcity of sea-going shipping capacity in oil. And the situation, if anything, is tighter (with general cargo boats commanding the highest charter rates in history).

Thus, quite logically, if oil is screaming to be transported, and craft to do same are hard to find and urgently needed, they become a No. 1 priority in the shipyards of the world — British, German, Japanese and American. Only this week representatives of 15 major oil companies met in New York to work out the details of stepping up shipments of Venezuelan and North American oil to Britain and France. Before this we were delivering 300,000 barrels to Europe a day; and now we must step this up by at least 200,000 barrels until Suez reopens. Well, where will we get the tonnage? There are not more than 40 T-2 tankers left in the "moth ball fleet." These will, surely, be swiftly activated. But for the long run the only answer is building new tonnage.

Right now there are under construction 21 tankers in American yards, with more on order; and 30 awaiting a Maritime Commission o.k. On top of this, the government is talking about emergency construction of a whole fleet (perhaps 300) of 60,000 ton tankers, designed to ply between here and Europe; or around Good Hope as though Suez had never been built. This all adds up to the most exciting prospects for shipbuilding ever known during peace time.

Now in this burgeoning ship building (commercial cargo and luxury liners, as well as tankers) the U. S. is at a considerable disadvantage since, because of higher wage rates, it costs at least 40% more to build a ship here than in foreign yards. On this account Great Britain, Japan and West Germany are the Big Three in ship construction with the U. S. ranking 10th (last year), accounting for less than 2% of world production. (Yet during 1944 we built twice as much tonnage as all of the shipyards in the world turned out last year.) We do, however, possess a very real advantage over foreign yards today —we can build faster. Many overseas yards are booked solid for the next three years, while we can deliver, on a new order, within a year's time.

The biggest shipyard in the U. S. is Bethlehem Shipbuilding Co. which accounts for some 10% of the net sales of its parent company, Bethlehem Steel. Eleven shipyards and a captive and copious steel supply place this company in an excellent competitive position.

Second in size is the company we selected for discussion today —Newport News Shipbuilding—big, integrated, efficiently run, and now looking eagerly forward to a very bright future.

The plant at Newport News is marvelously laid out, spreading over 225 acres of land with a water frontage of a mile and a quarter; and seven ways. Of these, two are large enough to accommodate the biggest aircraft carriers. (Only government owned Navy yards have ways as large as these.) Newport News Shipbuilding is a versatile performer. Its quarter billion dollar backlog includes orders for six tankers (3, of 60,000 tons), two Grace liners, a lot of government work, including a plane carrier, plus construction, with the collaboration of Westinghouse Electric, of the first neucleonic power plant for a major surface craft. Such a unit might well be applied in the future to propulsion of a commercial vessel; and should the next Congress authorize an atom driven plane carrier, Newport should be in line to get the job of building it.

NND does not confine itself to shipbuilding exclusively. While 70% of its gross now comes from this division, ship conversion accounts for over 10%, with machinery, castings, pressuring equipment and hydraulic turbines, including those suitable for water power installations making up the balance.

While shipbuilding has traditionally been a "feast or famine" business, NND has shown a pleasing stability of earning power having operated in the black for 20 years in a row and paid some dividends in each year since 1931. 1956 is not going to be a profitable as last year when $122½ million of gross business delivered net earnings of $6.03, of which $3 was distributed in dividends on each of the 800,000 shares of common outstanding (sole capitalization). For this year the prospect is for a per share net of around $4.75 with a regular dividend of $2 paid plus 50c extra.

You may well inquire why it is that, with earnings showing such a sizable dip from 1955, NND has been so bouncy in its market action recently. With a 1956 range between 50 and 89½ the current quote might seem a generous appraisal of this equity, in a market noticeably devoid of bullish enthusiasm. The investor attraction, however, is found in the future. Encouraged by Navy requirements including the modernizing and perhaps atom powering of a quite outmoded fleet; fanned by the aforementioned frantic demand for tankers; impelled by the need for millions of tons of new iron ore and bauxite carriers, and spurred by commercial fleet additions and modernization (24 units for Grace Line, 33 for American President Lines, and a replacement for the aging America of U. S. Lines) — impelled by all of these demands, peacetime shipbuilding in America has never looked so good. And as the major independent, Newport News Shipbuilding may be moving into the best decade of its long and honored history. Earnings of above $7 a share (after most conservative bookkeeping allowances for contingencies) seem possible for 1957; with actual "cash flow" earnings running well over $10 a share. With a "hep" management, a fine balance sheet, the simplest possible capitalization, and an existing vista of expanding future orders and rising profit ratios, there's good news at Newport News.

Heller Bruce Merged With J. Barth & Co.

SAN FRANCISCO, Cal.—Marco F. Hellman, Senior Partner of J. Barth & Co., 404 Montgomery Street, members of the New York and San Francisco Stock Exchanges, announced that the firm of Heller, Bruce & Co. and all of its personnel have merged with his firm. Heller, Bruce & Co. was formed in 1924 and since its existence has been a major factor in the underwriting and distribution of municipal and corporate bonds with offices in San Francisco and New York. Mr. Hellman in a letter to his clients stated that this merger will provide greater and improved services and facilities for individual and institutional clients of both firms.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Letter (No. 23)—Comments on additional Canadian uranium contracts, atomic merchant ship program, progress in atomic chemistry with items on Westinghouse, El Paso Natural Gas, American Machine and Foundry, Foote Mineral Company and Newport News Shipbuilding and Drydock Co. —Atomic Development Mutual Fund, Inc., Dept. C. 1033 Thirtieth Street, N. W., Washington 7, D. C.

Boral-Titanium—Discussion in "Magnesium" quarterly magazine published by Brooks & Perkins, Inc., 1950 West Fort Street, Detroit 16, Mich.

Building Stocks—Discussion in current "Monthly Investment Letter"—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also in the same letter are discussions of **Machinery Stocks, Ingersoll-Rand, Pullman and Budd.**

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

Chemical Stocks—Discussion in current issue of "The Exchange Magazine"—$1 per year—The Exchange Magazine, Dept. & TB-4, 11 Wall Street, New York 5, N. Y.

Christiana Securities Co.—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Investment Policy for 1957—Study—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

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.

Philadelphia Bank Stocks—Comparison of 11 largest Philadelphia banks—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

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

Stocks for Christmas—Suggested stock packages—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Suez and Domestic Oils—Study—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are bulletins on **Bethlehem Steel, Raymond Concrete Pile, Universal Cyclops Steel, American Potash & Chemical** and **Kelsey Hayes Wheel.**

Turnpike, Bridge and Other Revenue Bonds—Report—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

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Aberdeen Petroleum — Report — General Investing Corp., 60 Wall Street, New York 5, N. Y.

Alabama Gas Corporation — Bulletin — Georgeson & Co., 52 Wall Street, New York 5, N. Y.

American Pipe and Construction Company—Bulletin—Security Adjustment Corporation, 16 Court Street, Brooklyn, N. Y.

Aztec Oil & Gas Co.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Bailey Selburn Oil & Gas Ltd.—Discussion in current issue of "American Investors" — published by American Stock Exchange, 86 Trinity Place, New York 6, N. Y.—$1 per year. Also in the current issue are data on **Neptune Meter, Kawecki Chemical Company, Mead Johnson** and **A. C. Gilbert Company.**

Bethlehem Copper Corporation Ltd. — Analysis — Matthews & Company, Ltd., 220 Bay Street, Toronto, Ont., Canada.

Ceco Steel Products Corporation — Report — Hornblower & Weeks, 40 Wall Street, New York 5, N. Y.

Cumberland Apartment Company — Circular — The Bankers Bond Co., Incorporated, Kentucky Home Life Building, Louisville 2, Ky.

Dover Corp. — Memorandum — The Kentucky Company, 320 South Fifth Street, Louisville 2, Ky. Also available is a memorandum on **Western Kentucky Gas Co.**

Fraser Companies, Limited — Review — James Richardson & Sons, 179 Portage Avenue East, Winnipeg, Man., Canada and Royal Bank Building, Toronto, Canada.

Glasscock Tidelands Oil Co.—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

W. R. Grace & Co.—Detailed study—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

W. R. Grace & Co.—1956 semi-annual report—W. R. Grace & Co., 7 Hanover Square, New York 5, N. Y.

J. E. Plastics Manufacturing Corp.—Memorandum—Birnbaum & Co., 37 Wall Street, New York 6, N Y.

Jefferson Electric Company—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a memorandum on **Diebold Inc.**

E. J. Korvette, Inc.—Analysis—Dreyfus & Co., 50 Broadway, New York 4, N. Y. Also available is an analysis of **Polaroid Corp.**

Mesta Machine Company—Analysis—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

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

Ross Gear & Tool Co.—Memorandum—Kiser, Cohn & Shumaker, Inc., Circle Tower, Indianapolis 4, Ind.

Tin and Its Uses—Quarterly journal of the Tin Research Institute—available on request—Tin Research Institute, Inc., 492 West Sixth Avenue, Columbus 1, Ohio.

Trinity Universal Insurance Company—Analysis—First Southwest Company, Mercantile Bank Building, Dallas 1, Texas.

United Aircraft Corporation—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

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The Security I Like Best

from a high of 13 last fall to a recent low of 5 is to be found in over-expansion, cement shortage and rising costs. The cement shortage, which required the company to import cement at higher costs, no longer exists. Steps have been taken to assure the company of adequate sources of cement by placing orders for cement during the inactive winter months for delivery in the busy fall and summer seasons.

Although rising costs of labor and raw materials will always be a problem, price increases have been effected for the company's products and shall reveal their full impact on earnings during the quarter beginning December, 1956.

Over-expansion, the major cause of declining earnings in the past year, resulted in unprofitable operations at several older plants acquired during the aggressive acquisition phase of the company's history. Earlier operations were based on the theory that it was cheaper to acquire and rehabilitate older plants than to construct new plants. While this assumption is proving true, the time element was miscalculated. Management has for the past year or so devoted its time to the modernization of these plants and placing them on a profitable basis.

As far as the investment community was concerned, initial results of this rehabilitation phase were disappointing, resulting in a severe decline in the price of the stock. Latest reports from the actual plant sites are that success has been achieved and most plants are now in the black. The remaining few plants are expected to be operating profitably soon.

Earnings per share declined from $0.66 in fiscal 1955 to $0.22 in fiscal 1956. First quarter reports, for the period ending Aug. 31, 1956, reveal a net profit per share of $0.18½, giving proof of the progress being made. Current thinking is that full year results could exceed $0.40 per share and reach much higher in the following year. Dividends are being paid at the annual rate of $0.20 per share. Effective February, 1957, the company will have paid consecutive dividends for five years, thus becoming available for investment by many fiduciaries. Besides being currently available at depressed levels, the common stock appears attractive for its long-term growth potential. It is traded in the Over-the-Counter Market.

Capitalization consists of $170,000 notes payable, $6 million 4.60% convertible debentures, 10,000 shares $5 cumulative preferred and 1,040,731 shares of common stock. For those investors desiring a more defensive type security, the 4.60% Convertible Sinking Fund debentures due 1975 appear attractive. They currently sell around 77 and are convertible into common stock until June 1, 1965 at 14 for the first $1,500,000 principal amount of debentures presented for conversion, at 16 for the second $1,500,000 and at 18 for the remaining $3,000,000.

So far as can be determined, the common stock has not been placed on the legal list of any State.

However, the 4.60% Convertible Sinking Fund debentures due 1975, referred to, were considered legal as of May 23, 1956 in California, Connecticut, Florida, Illinois, Indiana, Iowa, Kentucky, Massachusetts, Michigan, Minnesota, Missouri, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, Texas and Wisconsin. Many of the States added certain requirements to be met at the time of purchase.

Henry Isaacs Trading Mgr. for Pan Amer.

MIAMI, Fla. — Henry G. Isaacs is now Manager of the Trading Department for Pan American Se-

Henry G. Isaacs

curities, 561 Northeast 79th Street. Prior to joining Pan American, Mr. Isaacs was Vice-President of First Southern Corporation. In the past he was in the investment business in Norfolk, Va.

Mitchel, Schreiber, Watts

Effective Dec. 1 the firm name of Haydock, Schreiber, Mitchel & Watts was changed to Mitchel, Schreiber, Watts & Co. The office at 120 Broadway, New York City, has been discontinued and the office at 14 Wall Street will be the sole office of the firm.

Charles E. Haydock, Jr., Fred H. Jorgensen, general partners, and Henry B. Bjorkman, limited partner, retired from Haydock, Schreiber, Mitchel & Watts, Nov. 30.

Dominick to Admit

John G. W. Husted, Jr. of London, England, on Jan. 1 will become a partner in Dominick & Dominick, 14 Wall Street, New York City, members of the New York Stock Exchange.

Research in Business

By N. LEONARD JARVIS*
Senior Partner, Hayden, Stone & Co., New York City

The assist rendered executive decision making in coping with new problems arising each year by the growing use of operations research, motivational research and electronic computers is evaluated by Mr. Jarvis and is found to have an exceedingly rapid recent growth reflecting the soundness of such an investment. In describing these latest research techniques permitting sounder executive judgment, Mr. Jarvis presents wide variety of problems tackled, such as determining optimum product mix possible in a refinery, merger feasibility, plant location, railroad scheduling, and complicated tax problems, and other areas upon which businessmen are spending more and more time in research.

We generally think of research as being tied to the development of a new product emanating from a test tube or a maze of intricate devices preferably housed in a pilot plant. In the business world of today a vast area of research has been accomplished before the decision was arrived at to search for that new product or to spend millions of dollars on the pilot plant. Indeed, research at the executive level is one of today's growing businesses.


N. Leonard Jarvis

This is understandable in the face of current competitive conditions, mounting labor and material costs. When you get right down to it, executives are paid to make decisions—the talent for making the right decision at the time is the hallmark of an executive. However, since even executives are human and don't have absolute information on what conditions will be like in the future, their decisions must be based on non-rational as well as rational factors and become both an art and a science. Deciding whether to merge with the XYZ Corporation, to diversify an established business, to launch a new product, invade a new market, where to locate a new plant, whether to expand a sales force, whether to invest in expensive electronic equipment, even how to hold that promising young Executive Vice-President or keep the plant Manager happy, are all factors that will have an important bearing upon next year's earnings statements. All these are areas upon which businesses are spending more and more time researching. Vast sums of money are being spent by corporations large and small in order to compile scientifically the facts that will motivate the correct decision.

Operations Research

One of the most dramatic—and newest — of research techniques and one currently much in vogue, has been appropriately named "Operations Research." Don't let the title scare you. Or, the fact that the administrators of this new business medicine are for the most part "long hairs" — Ph.D.s with no previous business training or experience. They are instead economists, physicists, mathematicians, psychologists, astronomers; even biologists. Their product is an applied science that may some day be considered a branch of engineering. Steadily it is being applied to all the functions of business from how to operate equipment to how a salesman should apportion his time among customers. It is used to help balance production and inventory. It is a newfangled approach but to many who have used it, it already has proven a sound investment.

*An address by Mr. Jarvis before the 6th Annual Homecoming Alumni Dean's Day, New York University School of Commerce, New York City, Dec. 1, 1956.

Exactly what is "Operations Research," or OR as it frequently is called? It has been defined as "the scientific study of complex organizations aimed at identifying the problem and giving executives a quantitative basis for decisions that will increase their effectiveness in achieving objectives." If this sounds high falutin just think of OR as the quantitative application of commonsense. The quantitative part is mathematics for its method is the method of science. Yet there is more than mathematics to OR. It is a method of devising experiments that question existing beliefs and reasoning based on limited information. At its best it cuts through the surface to the basic variables. It seeks no conclusions except those that can be quantitatively expressed with a high degree of rationality.

In an ideal situation, where the business executive gets his information from the OR man he should be able to tell what area remains in which he must exert his judgment. This is where decision-making as an art comes in and sets one executive above another. The most serious criticism that has been launched against this new research tool so far is that while it might motivate the correct decision regarding a single problem, it may conflict with a company's over-all aims. Like all high-powered treatments, there are always certain dangers involved.

OR's Growth Since 1951

Where is business getting this new wonder tool to help men, machines, materials and dollars behave? Today, there are many consulting groups in the field, and large accounting firms, and other non-profit research institutions like Armour in Chicago, and colleges and universities like N. Y. U. and others are training men. The Operations Research Institute of America here in New York founded in 1952 with 17 interested members now has grown to over 1,300 and conducts regular seminars and workshops breaking the OR science into such topics as "linear programming" which really is the scheduling of materials, machines, distribution, assignment of personnel and utilization of facilities or "inventory management." They hold sessions, for instance, on the techniques involved in the various mathematical theories used or the methods employed in recognizing problems, analyzing them, collecting and classifying data, testing and application. Enough companies to sound like a compilation of who's who in industry have sent a variety of their executives, vice-presidents, controllers, engineers, accountants, treasurers, purchasing officers and market research analysts to the OR Institute's seminars and workshops.

Dr. C. A. Slocum, Director of the Institute, says that the greatest handicap OR has today is the shortage of trained men to practice it and yet it has been reported elsewhere that in 1951 a mere $1 million was being spent for OR men and this sum included salaries plus overhead. Today, $30 million is being spent to pay OR talent and there isn't nearly enough of it to go around. This technique is being used by every major industry and by the leading companies in each. It is also being used by the Government. How does it work. Let's take a look at some actual problems and the results achieved:

Solving a Sales Problem

General Electric Company used what is called "linear programming" in its lamp division to solve a sales problem. Ever since selling began sales executives have been making educated guesses as to how many accounts one salesman should call on and how often during a given period. G.E.'s problem was this: Should we add to our sales force in order to gain additional sales? The OR man on the job plotted mathematical graphs on the effectiveness of a certain number of calls in a specific geographic area and reached the conclusion that "within the range of number of calls being made in these areas, sales changes do not depend on changes in the number of calls." If that were true then it was decided that the number of calls could be cut without losing sales. The question then was, by how much could the number of calls be cut? Next, the OR man studied each account for the year in which the number of calls was smallest and compared this to the number of calls made during the year prior to this study. His analysis proved that a considerable reduction in the average number of calls was possible without affecting sales volume. To G.E.'s management this proved that each salesman could carry more accounts than he currently carried without affecting the sales per account. Obviously, the earlier plan by management to hire more salesmen appeared ridiculous.

Line programming has also been used by oil companies to determine optimum product mix possible at a particular refinery. Companies have used it to reduce freight costs by studying which of a corporation's several plants should supply a particular geographic area.

Railroad Problems

Westinghouse Airbrake has used OR studies to carry out scientific research on several railroad operations in order to increase the company's understanding of railroad problems and thus their possible market. For instance, the company analyzed the operations of one railroad's classification yard and discovered that freight cars spent a large percentage of their time in this classification yard. The purpose of the analysis was to determine what the major factors were that affect the movement of freight cars through the

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Investment Advertising's Status—Dead or Alive?

By RICHARD E. CRUIKSHANK*
Vice-President, Albert Frank-Guenther Law, Inc., Sacramento, Calif.

Advertising executive critiques financial advertising, and offers suggestions to awaken and create an overdue "new look" in investment advertising. In admitting that securities advertising is probably the most regulated and censored of all advertising today, Mr. Cruikshank insists, nevertheless, that like the insurance and banking industries, the Government Savings Bonds program, New York Stock Exchange, and the growing but insufficient number of individual brokerage firms, much can be done by advertising consistently, rejecting the style of the 1920's, and appealing to the large untapped, inexperienced, potential investor market.

When I was asked to talk on the subject of investment advertising I felt a little like the Pasha who faced his harem for the first time. He knew what was expected of him but he didn't know where to start. I can *start*, though, by answering the question posed by my title "Investment Advertising — Dead or Alive?" The best answer to this is that investment advertising is about half alive. Now why is it only half alive? A look at the current crop of brokerage firm advertising furnishes part of the proof. The somnolent state of investment advertising is further indicated by the number of securities firms who do no advertising at all or only occasionally on a hit-or-miss basis.

R. E. Cruikshank

Advertising Strides

But, first let's take a look at what strides *have* been made, and there have been some mighty big steps taken by this industry.

These steps have been taken by some of the investment fraternity, the New York Stock Exchange, and others because they have watched the remarkable growth in the number of middle and upper income Americans and the shrinking number of really wealthy people. They have taken note that the number of families with incomes of $7,000 or more has jumped by 210% since 1941 and that this group now numbering 12½ million, is the prime source of individual investment funds and the most powerful group for spreading true "People's Capitalism."

And—they have recognized another fact . . . the complete lack of understanding about the investment business by millions of potential investors.

One firm, which is the largest in the business and the biggest spender, believes so strongly in this premise that the primary objective of all their advertising and sales promotion is to sell the idea of security ownership first and very secondarily the idea of buying securities through their firm.

Praises New York Stock Exchange

Leading the way for the industry is the New York Stock Exchange which during the past few years has embarked on a substantial campaign of advertising in newspapers and magazines to lift the veil of mystery over stocks. Their advertising budget for the first half of 1956 totaled $600,000. Nineteen million have seen their film "What Makes Us Tick." Over 10 million pieces of literature have been distributed. Very comprehensive kits are given to each member firm which are complete with tie-in advertisements for newspapers, radio and television scripts, many direct mail suggestions, case histories and other promotional helps. Their sponsorship of the Monthly Investment Plan a few years ago has helped sell over $30 million worth of securities. They publish a magazine with a circulation of 100,000, conduct educational programs in schools, speakers bureaus. Over 200 brokers are participating in the Exchange-sponsored, three-dimentional animated displays which feature various industries in broker's ground floor windows.

A growing but insufficient number of individual brokerage firms are following suit and descending from their pedestal to woo investors. Several firms are giving courses in investing in their offices, in auditoriums, furnishing speakers to clubs, showing films, exhibiting at fairs and a number, but not enough, are employing the modern merchandising and advertising techniques used so successfully by the companies whose stocks they sell.

One firm, Merrill Lynch, has an Investment Information Center in Grand Central Terminal featuring a 30-foot toy train. This firm held a huge How to Invest Show at an Armory in New York which was attended by 100,000 people. Their advertising has been the envy of the industry and has helped build their firm to its present leading position. Eight years ago they ran an advertisement which has since become rather famous. It dramatized the need for informative, educational copy. The ad was a full page of type in the New York "Times" containing 6,000 words of small print and headed "What Everybody Ought to Know About the Stock and Bond Business." Five thousand letters were received in two weeks. Many thousands of reprints were ordered, new accounts opened as a result of the ad. It has since appeared in 150 different papers and in "Time." A little over a year ago it was still drawing interest and inquiries and in fact the last time it ran it pulled 10% more inquiries than it did in 1948.

Sparkling Advertisements

The dull headlines, austere layouts and uninspired copy which once hid themselves on the financial pages of newspapers are beginning to disappear. Bright, new, sparkling advertisements are appearing in magazines, in the general news section of newspapers, in Sunday supplements. Some firms are using radio—some even television and outdoor posters. Booklets and other literature are more informative, attractive and easier to read.

Now you see appearing in the press advertisements with such headlines as:

"Start a Kitty for a Cruise."
"What Would You Buy for a Beautiful Baby Girl."
"How to Make Your Garden Grow Through Investing."
"Choose Your Stock—Buy It by the Month."
"I Nagged My Husband Into Big Business."
"Let's Go Shopping in an Investment Store."
"Dividends Are A Girl's Best Friend."
"Steel, Schools or Soy Beans."
"The Professor Just Had to Get Hep."
"The Fox and the Grapes."

Art work too has changed the face of many securities advertisements. Babies, animals, Aesop Fables, testimonials, boy and girl situations are being used. Even some of those ads with all type are showing improvement by the elimination of brokerage jargon and more persuasion, human interest, benefits, and informative-type presentation.

Selling Investment "End Results"

For the first time in our generation you are reading financial advertisements which attempt to sell the "end results" of investing—the things that stock ownership makes possible rather than the securities themselves. Breakfast foods, automobile companies and insurance companies have been doing this for years. For some reason investment firms have ignored the approach used by one of their big competitors, Life Insurance companies. To find out how really competitive they are you should talk to your life insurance agent some time about a stock investment plan versus an annuity type policy. Life insurance companies have long sold the "end result" of a life insurance investment with advertisements featuring the college education, the happy retirement days and other things that insurance buys. Banks are selling remodeled homes and travel; breakfast foods are selling stronger bodies; and clothing manufacturers are selling executive success; and detergents are selling prettier hands.

The investment firms and the New York Stock Exchange who are using the approach of the big league advertisers are telling why "dividends are a girl's best friend," showing how a stock acquisition plan can provide an education for children, showing pictures of homes, landscape plans, the places to see on a world cruise.

Stringent Advertising Regulations

Why is it, then, that investment advertising is only "half alive" and what is the underlying cause of this semi-consciousness. First, securities advertising is probably the most regulated and censored of all advertising today. Most of it is beneficial and needed but it does present problems for an advertiser who would like to employ copy techniques which have successfully sold merchandise for many years.

"New Merchandise," and by that I mean an issue of new securities needed to produce the plants and tools of business, is sold by hundreds of dealers in markets all over the country.

Yet in advertising this new merchandise, you must include in your advertisement the statement which in part says "This advertisement is not to be construed as an offer to sell or an offer to buy." Such a statement or one similar is required by the Securities and Exchange Commission. In most cases the group of underwriters selling the stock to the public can only advertise the name of the company, a very brief description of the type of business, the price of the stock and the name of the underwriter.

Mutual funds which allow a small investor to own a piece of many blue chip issues and have gone from a $1 billion business in 1940 to $12 billion this year, find themselves in an advertising straitjacket. They are just as limited as the underwriter offering new securities. Basically, all they can advertise is the name of their Fund, a brief and cautious statement as to their investment objective and their address. One Fund overcame this by running a multiple page newspaper advertisement giving the entire legal prospectus of the Fund which may have caused attention but must certainly have bored to death anyone who attempted to read it. So far as I know, it has never been attempted since.

Censorship and Screening

Mutual funds which have investment appeal for a large potential audience, can be advertised with less restriction by the

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*An address by Mr. Cruikshank before the Sacramento Advertising and Sales Executive Club, Nov. 27, 1956.

Instalment Credit Developments For Auto and Other Loans

By EDWIN B. GEORGE*
Director of Economics, Dun & Bradstreet, Inc.

That freer credit might push 1957 car sales to 6.8-7 million units is envisioned by Dun and Bradstreet Economist who doubts credit would be made easy enough to support such a car sales volume, but does not dismiss pressures by producers might engineer a breakthrough on credit should auto sales decline below about 6.5 million. Dr. George compares 1957 outlook with certain earlier postwar periods, and guesses that GNP will approximate $434 billion in 1957. Author looks for: (1) somewhat larger proportion of cars to be sold on cash or cash plus trade-in basis in 1957 than in 1956, though a significant absolute credit sales increase will occur; (2) repair and modernization loans to show a fairly steady growth; (3) other consumer credit goods to maintain or moderately step-up the constant rate of growth from 1956 to date; and (4) instalment credit ex-personal loans to rise between $2.05 and $2.63 billion annual rate in 1957 compared with $1.67 billion in first three quarters of this year.

My prime interest as a forecaster lies in global predictions. I am never greatly concerned about the instalment credit outlook except for periods in which it appeared that the level of general activity itself—not merely its mix — would be substantially affected by the behavior of demand for items sold on instalment and interrelated changes in credit outstanding; and although there have been several occasions during the postwar period when this was so, 1957 does not appear likely to be one. (It's true of course that for those who have to predict what will happen to autos or stoves, knowledge of the probable availability of credit for these items is still important to have.)

Edwin B. George

From the foregoing, it will be evident that anything I have to say on instalment credit isn't going to be very helpful since it is contingent first on appraisal of over-all prospects likely to influence such sales more than be influenced by them; and then upon judgments with respect to the degree to which sales on instalment will share in the general development. And the judgments don't shed much light on that relationship and could be far off the beam without dictating significant revision in my basic projection.

All this being so, I believe that the best way to proceed is as follows: First, to indicate why in my view the dominant considerations for 1957 will be those I have suggested; then to deal briefly with the general outlook for the coming year; and finally to indicate what accompanying developments in the field of instalment credit may reasonably be expected.

1957 Versus Other Years

As to the picture for 1957, the basic explanation lies in the monetary prospect for that year. In several postwar periods (e.g., first quarter 1949 to spring 1950, or from late 1953 well into 1955) a general forecaster had reason to keep a close eye on prospective demand pressures in those areas where sales were typically made on an instalment basis. During such periods, real resources were under-utilized, there was plenty of money to support instalment sales without pinching loans for other purposes, and our major concern was with the prospective scale of over-all spending. To arrive at good forecasts of general activity in such a setting, one had to assess among other things not merely the level of demand but its composition. For example, a given "autonomous" jump in cash outlays for consumer goods, whether financed by money diverted from other spending or by withdrawals from accumulated savings, would contribute more to over-all demand, both directly and via multiplier effects, the greater was the percentage of total sales price represented by credit. For 1957, however, composition in this sense will not be so important, at least for the first approximation. The supply of money is now and promises to remain tight enough to insure that a rise in its availability for one form of spending will involve diversion from other forms rather than a net rise in over-all dollar demand. I am not forgetting the growing compartmentalization of funds, but still expect them to be fluid enough marginally to make this judgment valid. (Perhaps shifts of funds from one sequence of spending to another, as for example between instalment goods and heavy investment, might cause a net change in velocity, and then in over-all dollar outlays, but the range of variations seems likely to be quite narrow.) If this is so, the dollar level of activity in 1957 will depend on the amount of money lenders are able to make available and on its GNP velocity rather than on the actual mix of demand—although the latter could well affect the volume of physical output associated with a given dollar output because of differences in the prices of the goods principally affected.

So much for the basic difference between 1957 and certain earlier postwar periods in the significance of developments in instalment credit for the general outlook. What of the outlook itself? Beyond spring, this still appears to me obscure since so much depends on how readily monetary policy is adjusted to insure maintenance of unemployment at socially and politically tolerable levels while exercising the maximum degree of restraint on price increases consistent with this objective. My own guess is that the authorities will do fairly well this coming year. If so, I am guessing that dollar GNP will approximate $434 billion for the year.

Now the question takes this form. How much will consumer durables get out of this $434 billion? It is hard to estimate closely the allocation of scarce funds among competing uses. To tell the truth, I have still to firm up the detail of my initial projection for 1957. However, the preliminary figure for consumer durables with which I'm now working—and to which my estimate of instalment credit trend are in bondage—falls in the neighborhood of $37 billion.

Now for a shot at the behavior of instalment credit. I shall confine the analysis to loans for specific goods or classes of goods —autos, other consumer items and repair and modernization activity —neglecting consideration of so-called personal loans.

Auto Credit

Of course major interest focuses on automobile credit since this is the big sponge. Changes in credit will depend on the volume of car sales, the percentage of total purchases made on credit, and credit terms. These factors of course are always interrelated and will be more closely so in 1957 in view of the over-all credit situation. Both for this reason and for the reason that 1955 experience has rendered uncertain the reliability of forecasts of car sales based on old-standby variables—GNP itself, the size and age-distribution of the car population, the number of households distributed by income-class and so forth—I don't see how it's possible to eliminate a lot of

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*An address by Mr. George before the 4th Annual Conference on the Economic Outlook, University of Michigan, Nov. 15, 1956.

The Municipal Bond Market And Rising Money Rate Period

By ELIZABETH ELLSWORTH COOK*
Publicity Manager, Hemphill, Noyes & Co., New York City

After delineating the factors affecting the ailing municipal market and the changed yield curve, Miss Cook concludes that in the absence of unbridled inflation, "the present boom will end as all booms have—perhaps in a gentle rolling adjustment"; it can do no harm for municipal dealers to assume fluctuations around an upward money cost trend for next dozen years; closer cooperation by elements comprising the municipal bond market can help prevent credit flow stoppage, so vital to community health and progress; efforts to find new buyers for short maturities have been fairly successful; and though municipalities are chief sufferers from high interest rates, the Federal Reserve policy is not directed against them. Author reviews Treasury and Federal Reserve operations, the changed portfolios of commercial banks, and expects more effective Federal Reserve credit restraint from now on.

The municipal bond market has been ailing for the past two years, suffering amid laughter, like a little boy sick at a riotous birthday party.

Elizabeth E. Cook

Off and on our boy has gobbled up too many cream puffs with the usual consequences, but most of the time he has been hungry and bruised, crowded away from the table and pummeled by a crowd of grasping, self-important rivals.

More accurately than any figure of speech, the chart tells what has happened. Prices of all bonds have been falling while most production, sales, and price indexes have been making one new high after another. For municipal bonds the "Bond Buyer's" index shows that, except for brief rallies, the decline has been continuous since Labor Day, 1954.

Because the "Bond Buyer's" average is based on the prices of 20 old 20-year municipal bonds, it can do no more than give a snubbed off indication of the general trend of tax-exempt bond prices. It does not show when the spread between general obligation and authority bonds widens or lessens, nor the change in spread between short and long maturities. And it gives no hint at all of how the scales of new issues exaggerate the trend, whether up or down. But with all its shortcomings the average does trace a line which pretty well fixes the dates of changing trends.

There is of course no one price level at which the municipal bond market is healthy. It is out of condition only when it cannot distribute the current supply quickly. And in the past two years there have been times when it could not.

The Glow of Health

In 1954 the Federal Reserve's policy of "active ease" kept the banks well supplied with reserves. With plenty of money and not enough borrowers they were eager buyers of Government bonds and of municipals, especially short maturities. An enormous total of tax-exempt bonds was issued that year—$6,810,758,000, almost equally divided between general obligation and revenue bonds.

The First Chill

Toward the end of 1954 bond prices declined due to an excessive amount of new bonds and the first indications that the Federal Reserve was reversing its policy.

No Relief

During 1955 the great surge of borrowing to buy homes and automobiles prompted banks and insurance companies to sell billions of dollars worth of Government securities. They bought very few tax-exempts. The Federal Reserve stiffened its policy of restraint. Interest rates rose sharply. Under such conditions the prices of municipal bonds went down, with the decline much greater in the early "bank" maturities than in the longer years.

1956: False Hopes

The municipal bond market this year has been more difficult than last because, at intervals, there have been variations in business or industrial activity which might have gone far enough to change the trend toward higher interest rates. But they never have.

Because the industrial outlook was clouded, the year began with conditions, for municipal bonds, looking rather better than they were, or at any rate better than they were going to be for long. From early January until nearly the middle of February member bank loans decreased irregularly, which may have led many persons to ignore the contrary signals of high bill rates, selling by the Federal Reserve, increased member bank borrowing from the Reserve, and steady sales of Governments by banks.

Sales of tax-exempts were brisk and prices on the uptrend until the end of February, when they reached their high for the year to date. By early March dealers' inventories had been built up with remainders of many issues which hadn't gone well and prices began a two-months' decline. By dropping their bids so low that some of them were rejected, dealers were able to price a number of new issues where they were taken the first day. But old bonds could be sold only at a loss.

Dreary Summer

In May and June the belief that the steel strike would cripple many industries led to predictions that the Federal Reserve would soon act to make money easier. Prompted by these rumors, investors rushed in and took a few large tax-exempt issues, but their ardour soon cooled. Again unsold bonds swelled dealers' advertised offerings in the Blue List to nearly $325,000,000. Prices declined.

The mistake apparently was in believing that the steel strike, the drastic reduction in automobile production, and the slight decline in home building would outweigh the factors making for tighter money. The steel strike did cause heavy losses in a few industries and it reduced the Federal Reserve index of business activity in July by 3½%, but only for that one month.

At the end of the first half, industrial construction, inventories, consumer credit, the cost of living, and bank loans all were up. Rumors of easier money were replaced by complaints that funds were scarcer than ever.

The decline in municipal bond prices which began the end of June did not end until Sept. 14. It was a hard summer for dealers, very unsatisfactory to local governments some of which refused bids or withdrew their issues. Investors appeared uninterested most of the time. But they were only dozing with their eyes half-open ready to pounce on bargains such as $38,484,000 Massachusetts on July 11, $16,000,000 Michigan Highways on July 17, $14,000,000 Jacksonville Revenues, July 24 and $15,000,000 Maryland Roads the same day.

The "Bond Buyer's" Average of 20 old 20-year Tax Exempt Bonds

	Open	High Price Low Yield	Low Price High Yield	Last
1954	2.54%	2.26%	2.54%	2.36%
1955	2.38	2.37	2.63	2.58
1956	2.56	2.42	2.96	3.24 (11/30)

Finally just before the middle of September a few small issues attracted attention, went with the wind, and started the very slight recovery in prices and buying interest which cheered the market for four weeks, only to drop the average to 2.96% again on Oct. 19 after a week of good sales but rising calender and Blue List. Since then there has been no recovery in prices.

The principal change in the economy in the third quarter was the sharp increase in farm prices, followed and still being followed by increases in the cost of nearly all other goods, due to higher steel and other wages or the expectation of them.

Tight Money

Thus far this year, municipal bond prices have not been depressed by the Treasury's financing. But rates have been increased by all lenders, including two advances in the Federal Reserve discount rate, the last to 3% in August, where it is now all over the country.

Except for FHA and VA loans, for which terms have recently been eased slightly, borrowing has become more expensive or harder to arrange since the first of the year. For some borrowers rates are the highest since 1933. Except for the short dip in 1939, the "Bond Buyer's" average shows 20-year municipals at the lowest prices since 1936. Because of the change in the yield curve, short-term municipals probably are the lowest since 1933 or possibly some earlier date.

Doleful Dollar Bonds

One of the perplexing developments of the year has been the reversal of investor sentiment toward turnpike issues. It was started in January by several critical newspaper articles and studies. Later a few roads had disappointing earnings in the early, snowy months. Then jittery selling melted the bids for even the best issues. Finally investors who knew, or took time to discover, relative values came into the market. But by that time the whole price level was so much lower that even the strongest issues could not recover their former prices.

It probably is inevitable that all dollar bonds should be more vulnerable than regular type municipals in a down market. Being term bonds, they are actively quoted in dollar prices and on the up side are a favorite medium of speculation. They are the easiest to sell and the first to be sold.

Hard Going

The "Bond Buyer" estimates that new tax-exempt issues totaled $5,003,135,000 for the first 11 months of this year—compared with $4,678,509,000 during the same period last year. They have been sold by dealers and dealer banks under most difficult conditions.

In the first nine months of this year the "Bond Buyer's" average has traveled from 2.56% up to 2.42% down to 2.96%.

The Yield Curve

In the lingo of municipal bond men, the relationship between the yields of short and long maturities is spoken of as the yield curve.

The general price level, as indicated by an average such as the "Bond Buyer's" index of 20-year bonds, can change overnight and can make a wide swing up or down without affecting the yield curve.

For a long time prior to 1930 short-term rates usually had been higher than long-term. But the old pattern was changed, first by the depression, which reduced short-term borrowing to the minimum, then by a heavy influx of gold (between 1933 and 1941) which swelled the money base, and finally by the war-time theory that interest rates must be kept low for the benefit of the Treasury.

Since January, 1955, when the banks as a group stopped buying short term municipal bonds, the yield curve has been changing its shape almost continuously. Prices are lower, yields higher, in all maturities but the increase in yield has been much greater in the short than in the long end. This is illustrated by the scales of the California State bonds sold in January 1955 and in October 1956.

	Jan. 1955	Oct. 1956
	Offered to Yield	
2 year	.75%	2.15%
20 year	2.20	2.85
Increase in yield from short to long maturity	1.45	.70

In municipal bonds the long maturities still yield more than the earliest years. The curve has not reversed its former shape but it has tended to flatten.

The change has been even more pronounced in the prices of government securities. For several months certain short and intermediate maturities of government securities have yielded more than long bonds. In September, the 2½s of 1961 gave a return 0.26% higher than the 3s of 1995. And, in the opinion of some students of the market, the yield curve of government securities would now slope from the highest yield in the shortest to the lowest yield in the longest years of it were not for one practical and one psychological reason.

Treasury Bills' Yield

The Treasury's 91-day bills, sold each Monday, have become the

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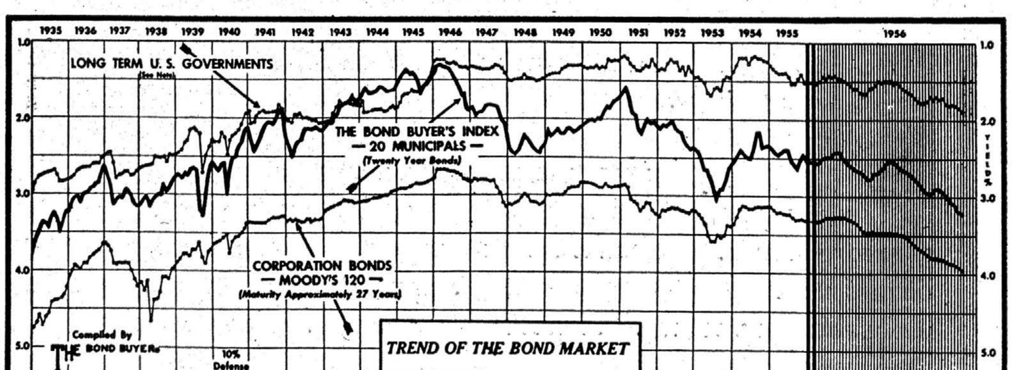
*An address by Miss Cook before the Municipal Analysts, New York City.



World-Wide Oil Problems and Long-Run U. S. A. Shortage

By FRED A. SEATON
Secretary of the Interior

Without discussing the Middle East issues, Interior Secretary asserts that over the long-term we are not self-sufficient in oil; that we will be required to tap more effectively foreign oil resources; and though "Western Europe will face disaster if Middle East oil is permanently cut off," those Near East oil countries know their oil resources, now two-thirds of free world's proved supply, are valueless unless they have available the great markets of the West. Affirms Administration's: minimum intervention policy into private business; reliance upon voluntary efforts to control import level flow; and sincere intention to deal with world's oil problems; and plans for Middle East Emergency Committee.

My introduction to the responsibilities of the Department of the Interior with respect to oil and gas was, at least to me, a bit sudden and dramatic. Early in June, I became the Secretary of the Interior. On July 26, out of a clear sky, came the announcement by the Egyptian Government of a decree purporting to nationalize the Universal Suez Canal Company, to take over its property, and to terminate its right to operate.


Fred A. Seaton

Nearly a million and a half barrels of oil daily passing through that Canal. Stoppage in the flow of this oil would seriously demage the economies of the Western European nations. A complete stoppage for any length of time would mean chaos for them and very serious problems for the rest of the Free World. On the day of Egypt's action, it was impossible to say how long the Canal could, or would, be permitted to operate. The preparation for the adoption of plans of action was immediately necessary.

Once again Government officials and leaders in the oil industry quickly took hold and arranged to meet the crisis.

You are, of course, generally familiar with steps that have been taken. Under the chairmanship of the Secretary of the Interior, a Middle East Emergency Committee has been formed to plan and carry out measures to meet possible Free World petroleum shortages and dislocations in supply. The plan which brought this Committee into existence has been approved by the Attorney General as to its legality, and by the Director of the Office of Defense Mobilization as to its adequacy.

Avoids Middle East Discussion

Events of the last few weeks in Europe and the Middle East leave no doubt that we are passing through an international crisis of unforeseeable proportions and consequences. Whatever the net results of this crisis may prove to be, it is likely to affect fundamentally the domestic independent producers as well as the large companies operating both at home and abroad.

This is not the time to discuss the issues involved, or to speculate on the possible outcomes. I do think, however, that the uncertainties in the present situation call for a reexamination of some of our basic concepts with reference to petroleum supply. Such a reexamination may not help us in the immediate solution of our present difficulties, but it can enable us to see more clearly the long-term direction in which we should move.

The oil industry, beginning with the simple well-drilling tools used by Drake, and a refinery the size of a moonshine still, has burgeoned into a mammoth industry based on science, industrial technology and modern management know-how.

As you so well know, this spectacular development has not been without growing pains. Much of the history of the industry has been characterized by alternations between threats of scarcity and equally portentous threats of fantastic abundance.

The very nature of petroleum—how it occurs and the manner of its migration—gives rise to a set of problems peculiar to it. Under the laws applicable to mining generally in the United States, the owner of the surface of the earth owns the underlying minerals. In the case of oil, however, the "rule of capture" applies which means that the oil belongs to him who produces it, regardless of the origin. Once a well begins to produce, the oil throughout the formation tends to migrate toward that well. In the absence of regulatory measures, each owner of an adjacent tract rushes to drill on his land so that his oil will not be drained away.

Reviews Past Oil Production

Due to this peculiar nature of petroleum, oil production for many years in this country was a wild race to see who could get the most in the shortest time.

During those years, both the State and Federal Governments were generally willing to allow a free hand to the competing producers and landowners. After all, oil then wasn't too important to the nation. Suddenly, there came the First World War, and overnight we realized how much our national defense depended upon the availability of petroleum supplies. About that same time, we also began to discover how important oil would be to an expanding economy.

Oil was scarce for several years after the war, and that triggered off the establishement in 1924 of the Federal Oil Conservation Board for the purpose—believe it or not—of forestalling a possible shortage. Before the Board could figure out what to do about that problem, discoveries of great new producing fields changed the threat of a shortage into one of superabundance, wastefully produced.

This Federal Oil Conservation Board—a Cabinet Committee appointed by President Coolidge—included the Secretaries of War, Navy, Interior, and Commerce. Through its seven years of existence—by way of public hearings, reports and recommendations—it did succeed in arousing public interest in the oil problem. Almost every concept of regulation under which the industry now operates, including the Interstate Compact to Conserve Oil and Gas, grew out of its deliberations and public record.

The Interstate Compact is an important step in our own progress in conserving and fully utilizing the great oil resources of the United States, thus also helping to conserve the world supply.

I doubt if there is anyone here today who is fully satisfied with the results we are achieving in the conservation of petroleum. However, I do believe everyone in the industry will agree that our achievements in that respect have been substantial. The great bulk of the oil now being produced in the United States is under carefully enforced conservation practices, calculated to prevent physical waste below or above ground.

However, new factors have developed and some of those have created new problems. Facilities have been expanded, a sizable reserve of productive capacity has been developed, employment and wages are at high levels: and many foreign sources of oil have been tapped. In the creation of reserve productive capacity, we run into problems of inventory management, and in the development of foreign sources, we fan the flames of an intraindustry dispute over the impact of imports upon domestic production.

For those reasons and others, the Coolidge Federal Oil Conservation Board finds its modern counterpart in the Presidential Advisory Committee on Energy Supplies and Resources Policy, appointed by President Eisenhower.

Government Policy on Oil Imports

This committee faces one of the same questions as did the earlier board: How can the government best assist the petroleum industry to continue to deal effectively with its peculiar problems, so that the security interests of the nation and its economic well-being are best served?

The work of the committee thus far has been directed toward some immediate, if perhaps temporary, solution of the problems resulting from the rapid increase in imports. I say "temporary" because it seems to me that over the long run an important aspect of our problem internationally may well be: How can we conserve and make the fullest and wisest use of the available oil resources? Certainly, that question applies at least to the Western Hemisphere.

Since conservation can develop into a major aspect of the international petroleum problem, then the question immediately arises: Why not an intergovernmental agreement based upon the principles of the Interstate Compact?

Even as I raise the question there comes to mind a flood of arguments why such a compact could not be negotiated, and if ever it were, why it could never work. Our own long-drawn out difficulties before the compact could become a reality, including justified Congressional questioning as to whether such an agreement encouraged monopolization and price stabilization, indicate how really difficult it would be to reach any semblance of intergovernmental agreement. Particularly that is true of an agreement that would achieve conservation and yet not put world trade and competitive enterprise into a strait-jacket.

The complications of widespread and diverse land ownership, which have been responsible to a large extent for our conservation measures—particularly unitization and well-spacing—do not constitute major problems in foreign production. The Middle East is especially free of such complications. We could also run into constitutional, to say nothing of legislative, problems in attempting to regulate by treaty that which in the United States we have considered a matter to be handled by the several states.

And too, in an effort to extend by international agreement the simple, fundamental principles of the Interstate Compact, we might find ourselves having to fight against proposals for a full-scale intergovernmental commodity agreement involving production quotas, price maintenance, and market allocation.

Our Government, as you know is opposed in principle to such commodity agreements.

The Commission on Foreign Economic Policy, set up by the Congress at President Eisenhower's request, summed up the Government's position in these words: Such agreements . . . "introduce rigidities and restraints that impair the elasticity of economic adjustment and the freedom of individual initiative, which are fundamental to economic progress."

Middle East Has Most Oil

Oil reserves are not equally distributed throughout the world—a fact that we must fully realize. The United States has about a fifth of the Free World proved reserves, while the Middle East has about two-thirds. Since 1938, United States proved reserves have approximately doubled; those of the Middle East have multiplied 15-fold. Last year in the United States we had to drill 20 wells to find a million barrels of oil. Ten years earlier, it required only 14 wells to find a million barrels.

Before World War II, Europe was getting three-fourths of her oil supplies from the Western Hemisphere. The United States was a net exporter of oil; now we have become a net importer of a million barrels a day from all sources, and the task of finding oil in this country gradually grows more difficult and more costly.

In the light of these facts, let's see what's happening to demand.

Since the turn of the century, the population of the United States has doubled. Our use of energy has increased fivefold since then. In the last 25 years our consumption of petroleum products tripled. Currently, total daily demand for all oils is in the neighborhood of nine million barrels. By 1965, we expect total requirements to be around 11 million barrels a day. By 1975, a reasonable projection of population growth and demand figures indicates a potential daily demand in the United States of more than 15 million barrels.

Imports for Long Run

Now, I am sure that if we were to take a poll here today on what would be the productive capacity

Continued on page 35

*An address by Mr. Seaton before the American Petroleum Institute, Chicago, Nov. 14, 1956.

The Stock Market Today

By EDMUND BROWN, JR.*

Partner, Penington, Colket & Co., New York City

Investment Planning Manager reviews stock market rise and adjustments, interest rate developments; and concludes industrial underlying growth trend is still strong, balanced bond and stock program can work out very well, and that monthly stock purchase plan will have its reward. Mr. Brown cites factors providing reassuring 1957 outlook, and possible termination of bond price downtrend.

Your Fund was organized in October of 1954. At that time the stock market had shown a consistent uptrend for nearly a year, advancing about 40% in twelve months. From the Fall of 1954 to mid-1956 it advanced about 50% further, in terms of the more representative averages. From the lows of September 1953 to August 1956 the price averages advanced over 100%. Percentage-wise this three-year advance was comparable to that of 1934-37, following the great depression, and was only exceeded by the rise from 1926 to 1929, which was admittedly a speculative orgy. The advances of 1953-56, therefore, are not to be laughed off if one is to make a cold rational appraisal of the present situation.

Edmund Brown, Jr.

A Bull Market

In terms of individual stocks, the history of this three-year period is even more striking. Bethlehem Steel, for example, had sold in a narrow range for three years prior to 1954 (roughly 45 to 55). Recently it sold at 175. The investor who paid 60 in early 1954 had a dividend of $5.75 in that year and $7.25 in 1955, the latter a yield of over 12% on his cost. In 1954, after five years of favorable earnings it became apparent that steel profits were pointing higher and that the steel companies were no longer the whipping boys of Washington. So the stock took off to levels nearly 200% higher. Far greater advances were scored by some of the aluminum, copper, building, and aircraft stocks and certain specialties. (The averages, of course, include a number of stocks, such as Chrysler and Loew's which were notable laggards.) The point is that 100% advances have been fairly common and that this has been a bull market in any man's book.

The next point is that the market has been based on expanding business with rising earnings and dividends. The national income and the income available to individual families after taxes has advanced to record levels. Both payrolls and dividends in 1956 are higher than ever before. This does not mean that stock yields have kept pace with stock prices or with bond yields, as will be shown below. But it is still possible to get 5% on a selection of reasonably good stocks and the pay-out of earnings is still conservative. The Dow-Jones Industrials, as a group, are earning about $30.00 a share and paying about $20.00, a yield of about 4.25%. But many stocks outside of the blue-chip category sell to yield from 5% to 7% and many investment grade utilities yield close to 5%.

Some Adjustments

Turning again to the price movements, it is clear also that some of the advances were quite excessive; and in the Wall Street jargon, certain "adjustments" have taken place during the past four months. DuPont sold up to 250 in 1955 and paid $7.00, or less than 3% on a dividend which was well above its average. It has declined about 29% from the top while the averages are off less than 11%. International Paper lost about 31% from its high, Alcoa 33%, U. S. Gypsum 33%, Monsanto 33%, Chrysler about 40%, Gulf Oil 31%, and so on. These declines are in sharp contrast with the strength in aircraft, shipbuilding, steels and certain others.

Some of these declines can be related to the ominous developments in the Middle East and Central Europe. But most of them indicate that the price of the stock was too high—especially in relation to return now available on high grade bonds.

In June of 1953 a Trust Officer made a careful review of money rates and the bond market and came up with this comment: "Even though we ought not to abandon a constructive view of equities for the long pull, we cannot escape some feeling of relief at no longer being pushed and shoved into common stocks by the pressure for income. Relief from a perpetually easy money philosophy causes some painful transitional problems, but it puts us back in the business of doing a balanced investment job for our customers." Triple A bonds then yielded 3.40% and the average yield on corporates was about 3.60%. The average yield on 125 Industrial Common Stocks (Moody's) was 5.53% and on a composite of 200 stocks of all types was 5.51%. (D. J. Ind. Average around 260.)

Real Interest Rates

This brings us to the problem of money rates which historically has a direct bearing on stock prices. Following the unrealistic credit conditions of the New Deal and the War period, interest rates have been allowed to seek a level governed by supply and demand.

Today triple A bonds yield around 3.65% while a 4% return is available on such an active issue of G.M.A.C. 4% Debentures due in 1958. The rate on 91-day Treasury bills has reached a 23-year high of 3.17%. The spread between the yield of leading stocks (D. J. Ind. Average) and high-grade bonds has narrowed from about 2% in 1953 to around 0.6% today. It is quite apparent that many reasonably attractive bonds yield substantially more than the high-priced "growth stocks" such as International Business Machines, Minnesota Mining, and Dow Chemical. (The practice of paying small stock dividends to sweeten the return can be ignored for the purposes of this discussion.) In any case your Trust Officer is in a still better position to do "a balanced investment job," and this applies to all of us.

Fund Managers' Problem

Historically, a rise in interest rates has marked the top of several bear markets, especially when it causes the banks to sell bonds on balance. Now we have seen the F. R. B. step up the rediscount from 2% in 1954 to 3% today, and commercial paper rates have advanced along with it. Moreover, the banks have been reducing their security holdings for the past 18 months. It is not surprising, therefore, that such low-yield issues as duPont, Alcoa, and International Paper have declined substantially from their highs of 1955-56. If bonds are declining how can we expect the fund managers to buy high-priced low-yield stocks?

Back in 1952-53 the Federal Reserve had operated to restrict credit by selling governments. In May of 1953 the policy was reversed, the rediscount rate was reduced 2%, banks increased their holdings of bonds, and — as one commentator says—they "opened the door for a great New Era stock market." It paved the way for an advance in the stock market to about 520 and encouraged corporate management to engage in a capital expansion program of unprecedented proportions.

Now, as we have seen, the F. R. B. has reversed its policy again and the question is whether this credit policy has dampened the business prospect, and whether we can expect anything more than a trading range in the stock market for an extended period. Can we avoid a further decline in the stock market and a temporary set-back in business?

Reassuring 1957 Outlook

As it now stands, the business prospect for 1957 is quite reassuring.

(1) Government expenditures for defense are likely to be greater in 1957 and this, together with the other built-in income factors such as social security payments, veterans' benefits, and farm price supports, are a stabilizing factor in the economy.

(2) The predictions are for an over-all increase in construction next year despite a moderate decline in home-building. The huge road-building program and local appropriations for new schools are on the plus side.

(3) The necessity of supplying oil to Europe places the domestic petroleum producers in a strong position, regardless of whether price advances in petroleum products are feasible.

(4) It seems likely that ship builders, railroad equipment companies, and machine-tool companies will have plenty of business in 1957.

(5) Inventories of automobiles were worked down pending the showing of new models and a good motor year, with intense competition, seems to be in the making. Perhaps 7 million automobiles and trucks will be sold.

(6) Expenditures for research and development, running to $5.5 billions, result in a flood of new products which make old plants and old processes obsolete.

(7) Economic growth in Europe and South America creates better foreign markets for American goods and better investment opportunities for American industry.

(8) The record figure of Gross National Product in 1956 has been attained despite restrictive measures by the F. R. B. Now if unemployment and a profits slump should become evident in certain sectors of the economy the money managers have available the same tools which have been used to turn it around in former years.

Furthermore, certain students of money and credit feel that the long downtrend in bond prices is close to termination. The reasoning is as follows:

Bond Price Trend

(1) The demand for houses, automobiles, appliances and other items which draw upon the savings of individual families—while still strong—has been pretty well filled. The rate of family formation has receded for the time being. The purchase of the second car or the second TV set can readily be deferred.

(2) Rates are now high enough to encourage savings by individuals directly and indirectly through mutual funds, pension plans, trusts, and savings associations.

(3) There is some evidence that corporate investment in new capital facilities will proceed more slowly or will be deferred until the costs are less severe.

(4) High credit costs are partly a result of Federal Reserve policy, directed against inflation. It is possible that these restrictions will be relaxed, dependent upon the course of business and the developments in the international situation.

Now if interest rates are high enough it suggests that bond portfolios may do better. But it also suggests that a program of stocks to yield 5% or more, with some prospect of growth, should be even more attractive.

Institutional Buying's Influence

A consideration not to be overlooked is the volume of institutional buying in the present market. Many mutual funds, pension funds, trust funds, and insurance companies—not to mention investment clubs—are pretty well committed to the purchase of equities for all or part of their incoming cash. These operations tend to take stock out of the open market. Of course, a certain amount of switching goes on from day to day, and it is not unusual to find one fund buying a stock which another is selling. In the case of mutual funds (or investment companies) whose shares are sold to the public, the struggle is for "performance"—i.e., to find stocks which will do better than the market averages over a period. The so-called balanced funds will vary the ratio of stock investments as against fixed-income securities in accordance with their market policies, and some of the stock funds will build up a modest cash reserve in times of uncertainty. But the fact remains that institutional buying has more weight than personal speculation in governing the course of the market. It may be noted that the net sales of mutual funds in October were close to the year's high. Cash holdings were reduced to about 5.7% of net assets.

Conclusion

The conclusion is that the underlying trend of industrial growth is still strong; that a balanced program of bonds and stocks can work out very well; and that the purchase of selected stocks on a monthly purchase plan will have its rewards.

*An address by Mr. Brown before the Fifty-Four Fund of N. Y., Dec. 4, 1956.

John J. O'Kane, Jr.

John J. O'Kane, Jr., senior partner of John J. O'Kane, Jr. & Co., New York City, passed away suddenly Dec. 4. Mr. O'Kane, who was born in Kingston, N. J., in 1893, was 63 years of age.

John J. O'Kane, Jr.

Mr. O'Kane was a member of the Board of Governors of the New York Security Dealers Association, and was a member of the Princeton Club. He served in World War I as a Captain in the U. S. Army and was a Past Commander of American Legion Post No. 1217. In the past he had been President of the Security Traders Association of New York.

Form Atkins Inv. Corp.

SAN ANTONIO, Texas—Atkinson Investment Corporation has been formed with offices at 354 Edna Avenue to engage in a securities business. Officers are Joseph D. Atkinson, President and Chairman of the Board; and Harry V. Burns, Secretary-Treasurer.

A. M. Wolkiser With Arthur Krensky Co.

Arthur M. Krensky & Company, Inc., Chicago stock brokerage firm, announces the appointment of Arthur M. Wolkiser as a Registered Representative to service institutional clients. He will be located in the firm's New York office at 39 Broadway. Mr. Wolkiser was formerly director of research for Lord, Abbett and Company and director of all the funds managed by the firm. He has also served on the research staff of E. F. Hutton & Co. and Thomson and McKinnon. He is a member of the New York Society of Security Analysts.

Arthur M. Wolkiser

The Krensky firm maintains offices in Chicago; New York; Washington, D. C.; Grand Rapids, Mich.; Fort Wayne, Ind.; El Paso, Midland, and Odessa, Texas; and Quincy, Ill. He holds memberships on the New York, American and Midwest Exchanges and on the Chicago Board of Trade.

Correction

In the Financial Chronicle of Nov. 15 with the remarks of James L. Beebe, partner of O'Melveny & Myers, Los Angeles, Calif., on the Southern California Municipal Bond Outlook an incorrect photograph appeared. The picture used in error was that of James L. Beebe, Manager of the Trading Department for the Southern Division of William R. Staats & Co. The correct picture of Mr. James L. Beebe of O'Melveny & Myers appears herewith.

James L. Beebe

Fulton Reid Co. Inc. Formed in Cleveland

CLEVELAND, Ohio—Announcement is made of the formation on Dec. 1 of Fulton Reid & Co., Inc., as successor to the business of the partnership of Fulton, Reid & Co., which was terminated on Nov. 30, 1956. Offices of the firm are located in the Union Commerce Building.

Wood, Struthers to Admit Copp to Firm

Wood, Struthers & Co., 30 Wall Street, New York City members of the New York Stock Exchange, on Jan. 1 will admit George W. Copp, Jr. to partnership.

Foster & Adams Partners

On Jan. 1, Victor Dean of Syracuse and Milford J. Milem will become general partners and James M. Beverley a limited partner in Foster & Adams, 120 Broadway, New York City, members of the New York Stock Exchange.

Public Utility Securities

By OWEN ELY

Connecticut Light & Power Company

Connecticut Light & Power, the largest electric and gas utility in Connecticut, serves about two-thirds of the state by area, and about 39% by population. Among the principal cities served with electricity are Waterbury, New Britain, Bristol, Meriden, Norwalk and Greenwich. Electric sales contribute about 87%, and gas 13% of revenues, which approximate $70,000,000 a year. Residential sales provide 43% of electric revenue, commercial 17% and industrial 26%. Residential gas sales also contribute heavily to gas revenues.

Electric sales and revenues have more than doubled in the postwar decade, and generating capacity has almost tripled. Both Kwh sales and revenues have shown an average annual growth rate of 8%. Connecticut is not only the fastest growing state in New England, but its population is growing substantially faster than that of the nation as a whole.

There is a marked trend to suburban living in Connecticut. A big part of the company's service area is suburban to the large cities in the state (it does not serve the largest). This trend seems likely to increase, since the suburbs contain most of the unoccupied land that is still near large markets and convenient transportation facilities, and industry is also moving out of the cities. The company serves much of the area where industry has already decentralized or would be likely to. A number of Connecticut industries are meeting growth requirements by establishing branch plants in Connecticut instead of other parts of the country. The new plant of the Hamilton Standard Division of United Aircraft, built near Bradley Field in Windsor Locks, continues to expand at this location. In August a new modern one-story plant was completed by Fafnir Bearing in Newington, convenient to its headquarters in New Britain. Scovill Manufacturing is planning additional manufacturing units near Waterbury, its headquarters.

Connecticut has probably suffered less than other New England states from the exodus of the textile industry. In any event the company has been successful in helping to bring in new industries to fill up large empty textile plants in the eastern part of the state. Manufacturers of electric switches, macaroni, candy, wall paper and furniture are now operating from either former textile plants or new plants in northeastern Connecticut. Important new plants (built or planned) include Kimberly Clark Paper, Combustion Engineering and Connecticut Atomic Nuclear Experimental Laboratory. The new Greenwich Killingly Expressway, providing easy access to the New York, Boston and Providence markets, is expected to aid the industrial development of eastern Connecticut when it goes into operation next year.

Like other New England utilities, Connecticut L. & P. has some hydro power, 9% of total Kwh output last year being hydro-generated. The new Shepaug hydro-electric plant on the Housatonic River, which has a peak load capacity of 47,000 kw, is completely operated by remote control from another hydro plant farther up the river—a good example of "automation." CL&P has added much steam capacity in the postwar period, so that more than three-quarters of steam capacity is postwar; 85% of steam units can produce one kwh from seven-eighths pound of coal or better. The new Devon unit will be a twin of the latest one, and operated with the same controls so that labor costs will be negligible; it will increase capacity about 106,000 kw in 1958 or about 14%.

Four of the largest electric utilities in the state signed an agreement two years ago for co-ordination of construction plans, with pooling of power. Three units are now under construction under this agreement. United Illuminating is installing an 82,000 kw unit which will go into operation next year; and Hartford Electric and CL&P have begun installation of 106,000 kw units.

With anticipated continuation of substantial growth in the state, CL&P expects to spend an average of about $25 million a year for new construction up to 1960—the same rate as during the past five years. About one-third of the $100,000,000 will probably be raised internally from depreciation accruals and retained earnings. The company may do some equity financing on a "rights" basis early next year.

The company has benefited by obtaining natural gas although mixed or reformed gas (with lower heat content) is still used in the larger areas; at some later date it will probably adopt straight natural gas throughout the system. The reduction in the price of gas has stimulated househeating sales; saturation has increased from 6% in 1952 to 14% currently and the company hopes to reach 33% in another two years. Gas heat has now become fully competitive with oil. The company's return on its gas properties is now, for the first time in years, comparable to the rate of return from electric operations.

Earnings have been better than anticipated this year, amounting to $1.30 per share for the 12 months ended Sept. 30 vs. $1.08 in the previous 12 months (the latter was affected by flood expense). The calendar year estimate is $1.32 and President Knapp hopes that this level of earnings will hold next year, despite equity financing on perhaps a 1-for-10 basis. Share earnings include tax savings due to accelerated depreciation, but this is about offset by a charge for amortization of plant acquisition adjustments. The latter charge amounted to $1,371,700 or about 21c a share in the 12 months ended Sept. 30, 1956.

The stock has been quoted recently over-counter at about 19. The dividend is $1 returning a yield of 5.3%. The price-earnings ratio is about 14.4.

E. J. O'Rourke, Jr. Joins Blyth & Co.

Edward J. O'Rourke, Jr. has joined the trading organization of Blyth & Co., Inc., in their New York office, 14 Wall Street.

Mr. O'Rourke has a background of 10 years in investment banking, having previously been with Goldman, Sachs & Co. and Smith, Barney & Co. His affiliations include the Bankers Club, Bond Club of New York and Corporation Bond Traders Club.

Mr. O'Rourke is a graduate of Dartmouth College, class of 1947, and served as a Lieutenant in the U. S. Navy during World War II and the Korean Conflict.

James L. Cody Opens

LAUREL, Miss.—James L. Cody is engaging in a securities business from offices at 423½ Oak St.

New York Security Dealers Association Publicizing Over-the-Counter Market

The New York Security Dealers Association, comprising leading over-the-counter securities firms, is embarking on a new educational advertising program, according to Eugene G. Statter, of Hoit, Rose & Company, President of the Association.

On the basis of its experiences through a similar previous program, when it was learned that the public is extremely anxious to gain all the knowledge it can about the over-the-counter market, the security dealer's group will sponsor in the various Metropolitan area newspapers a series of advertisements explaining the functions of the over-the-counter, and how it differs from the auction and Exchange Markets, and presenting additional information on the over-the-counter business, Mr. Statter said.

Investors and interested individuals also will be given the opportunity of obtaining a 60-page booklet containing information on America's oldest and largest security market, explanations of various phases of its operations, and a table of hundreds of securities on which cash dividends have been paid without interruption for up to 172 years.

Samuel Weinberg, of S. Weinberg & Company, member of the board of governors of the Association, and Chairman of its Publication Committee, calls attention to the fact that the public generally does not know that the shares of some 50,000 different companies have a market over-the-counter, against approximately 3,500 securities listed on all registered exchanges combined; that municipal, government, corporate bonds, bank and insurance stocks, as well as the vast majority of all foreign securities are traded almost exclusively in the over-the-counter market.

Osgood to Head New A. B. A. Dept.

Peter O. Osgood of the Eilert Printing Co., New York, will become director of the American Bankers Association's new Department of Printing on Jan. 1, it was announced by Merle E. Selecman, Executive Manager of the Association.

Mr. Osgood has spent all of his business career in the field of graphic arts and has been associated with the Eilert Co. since 1927. For many years he has worked closely with the A.B.A. on many of its printing requirements.

Wallace, Geruldsen Formed in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Illinois — Wallace, Geruldsen & Co. has been formed with offices at 105 West Adams Street to engage in a securities business. Principals of the firm are Robert K. Wallace and Nils S. Geruldsen. Both were formerly with Arthur M. Krensky & Co., Inc., of which Mr. Wallace was an officer.

Also associated with the new firm is William D. Anderson.

N. Y. Inv. Association Holds Annual Dinner

The Investment Association of New York held its sixth annual dinner on Dec. 5, with the Hon. J. Sinclair Armstrong, Chairman of the Securities & Exchange Commission, as guest speaker.

The Nominating Committee has presented the following slate for officers and committee chairmen for 1957:

President: Maitland Ijams, W. C. Langley & Co.

Vice-President: William G. Gallagher, Kidder, Peabody & Co.

Secretary: Donald S. Coons, Smith, Barney & Co.

Treasurer: Vance Van Dine, Morgan Stanley & Co.

Chairman, Education Committee: Worthington Mayo-Smith, Merrill Lynch, Pierce, Fenner & Beane.

Chairman, Entertainment Committee: A. Parker Hall, Jr., Shearson, Hammill & Co.

Chairman, Membership Committee: Richard C. Egbert, Estabrook & Co.

Chairman, Program Committee: John William Middendorf, Wood, Struthers & Co.

Chairman, Publicity and Publications Committee: Charles C. Lee, Jr., White, Weld & Co.

Members of the nominating committee were H. L. Parker, Morgan Stanley & Co., Chairman; P. Gimbel, White Weld & Co.; R. Bennett, Jr., Wertheim & Co.; F. Smith, Jr., G. H. Walker & Co.; J. Peterkin, Laurence M. Marks & Co.; and L. Kaufman, Goldman, Sachs & Co., alternate.

THE MARKET . . . AND YOU

By WALLACE STREETE

The threat of a new low in the industrial average for the year was rather conclusively wiped out this week with the list putting on occasional strength that was the best in some months. There was still profit-taking to be absorbed and the feeling was rather widespread that the rebound was both too spirited and too early for the full-fledged year-end rally treatment.

* * *

Like the market generally, the domestic oils were able to show good demand and occasional profit-taking and even the international oils were able to make some uphill progress as the Suez situation seemed to be quieting down.

* * *

An odd feature was Superior Oil, currently the highest priced issue on the New York Stock Exchange. It tacked on $132 last week and then added another $100 in a couple of sessions this week to erupt into the $1,300 price tag bracket. In that area it was finally giving some competition to the $1,332 peak recorded in 1948 by Coca-Cola International which was the highest tag recorded in modern times on the exchange.

Pressured Issues Improve

So far in the improved market the beneficiaries quite logically have been the issues under the most recent pressure, including some of the chemicals and especially du Pont, and the aluminums which have also had tough sledding. The papers, well deflated, were able to steady but there wasn't much fanfare to it.

* * *

The rather limited selection among oil well supply issues was expanded by one new face when Dover Corp. became a Stock Exchange listing and the stock lost no time in getting a good early play to make it a prominent item.

* * *

Dover has only been publicly owned for around a year and a half, after it was formed from four smaller units in the business. The company, which only completed its acquisition a year ago, has had no time to build up an earnings history in its own right but on a pro-form basis has been able to show a fairly steady growth in sales and earnings. At its trading inaugural the stock was selling at less than 10-times-earnings and on a yield of nearly 5%.

Oil Equipments Perk Up

It was in general a timely debut since the other oil well equipment shares, after having been neglected with monotonous regularity throughout most of the bull market, were finally perking up as the Suez incident made it fairly sure that expanded exploration in this hemisphere is definitely in the cards. Dresser Industries, as a matter of fact, was prominent in the new highs column of the week even though its stock split is imminent and not particularly news any more. The new shares, as a matter of fact, have been trading on a when-issued basis and were also able to forge to new highs.

* * *

A. O. Smith in the same group has been doing better recently with a pause now and then but the significant point in this issue is that it has yet to equal its high of the year which was posted during the summer rally. The others have been able to push into new high territory within the last month, making A. O. Smith somewhat laggard.

Shipbuilding Pause

Shipbuilding shares called time out for a rest after their recent superior action. But the consensus was that there was still room on the top for the companies that very recently were struggling for new orders. The Suez Canal shutdown changed all that in a rush, although it will be sometime before the concrete results of all the new work flooding in will become apparent in the earnings column.

Intriguing Combination Issues

Bethlehem Steel, which owed a good share of its popularity to the proposed 4-for-1 split, is an intriguing combination issue in that it is definitely high in the ranks of steel makers, a group popular currently with investors, and is an important factor in shipbuilding operations. Sun Oil is another of the combinations, mixing its sizable petroleum business with shipbuilding for another double hedge in a different line.

* * *

Cities Service, despite the popularity of domestic oils generally, has been no threat to its year's peak. The company, however, is one of the more promising of the oil companies in the business of adding to reserves. The company in its tideland operations has been able to bring in more than half of the wildcat wells it started. Earnings have moved well ahead of last year's results so far and at recent prices would be selling only a shade over 10-times the projected profit for the full year. The company, moreover, has been actively exploiting the promising petrochemical field.

* * *

An issue that has never recovered with any great enthusiasm from when the company had its troubles is United Fruit. The stock has been bumping around its year's low despite earnings comfortably ahead of last year and with the dividend, offering around a 6½% yield, well covered. The stock has been hovering below the $50 level for sometime against the $70-plus that it sold at in 1951 before its Latin-American problems steered investors away from it.

* * *

Rising sugar prices, that have been able to lift the prime sugar issues out of their protracted doldrums, will benefit United Fruit but have had little effect on the stock. Rising cargo rates, too, because of the shipping shortage are an added boon to United Fruit.

Neglected Retailers

Retail stores, too, have been a somewhat neglected group although lately they have been given a mild lift by the approach of their seasonal high activity period. R. H. Macy, for one, has been expanding aggressively and the program has started to show up in the operations reports, including record highs in sales starting in the 1955 fiscal year. Profits continued to climb into the 1956 year to show the best results since 1949. It adds up to a 43% improvement in earnings in two years against sales improvement of only around 17%. The stock is one of those rarities selling below book value yet offering a return in excess of 6%.

* * *

Electric Storage Battery is another issue that sells at only a shade more than its working capital alone, with a yield of around 6% and steady improvement noted recently in earnings. Moreover, company projections point to even higher earnings next year in view of the rising trend in effect and various diversification steps already taken.

[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.]

De Coppet Partner

Henry W. Putnam will become a partner in De Coppet & Doremus, 63 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1.

From Washington Ahead of the News

By CARLISLE BARGERON

There are other reasons, of course, but it is inevitable that this country should end up paying the bill for the British-French-Israeli adventure in Egypt because of the attitude of our foreign correspondents. From the beginning, Dulles has been wrong in their eyes and if you will look back over their record since they came to be established all over Europe after World War I, our State Department is always wrong and the foreign governments right.

Carlisle Bargeron

Eisenhower has just won another landslide victory at the hands of the American voters and in no small measure this was due to his foreign policy, at least to the extent that he got us out of war and kept us out of war. Well, the man who has been doing the actual work in this field is John Foster Dulles and to hear him discussed by the pundits in the great propaganda gallery of the National Press Club you would think he is Public Enemy No. 1. In the opinion of these foreign experts he has never done anything right. It is a queer characteristic of our foreign correspondents that they have this attitude. It is not an attitude of theirs towards Dulles alone. It is their attitude towards every American Secretary of State and their attitude is too generally reflected in the American press. Apparently to be a critic of our State Department is the smart or intellectual thing to be.

Immediately the Middle Eastern mess developed our more enterprising newspaper and radio pundits hied themselves to Britain and France to report about how we were losing favor with the governments and peoples of those countries. To my knowledge no single reporter has been sent around these United States finding out the attitude of the American people. This was not news. It was news that there was a rising tide of anti-Americanism in France and Britain.

Oh, there was news about Eden's and Pineau's unpopularity, too. But the thing our foreign correspondents seemed to enjoy most writing about was that Dulles had jeopardized the North American Alliance, that Russia had been very clever in finally dividing it and separating the United States on the one hand and Britain and France on the other.

Such printed criticism of our own foreign office in this country has had the effect, to a very large extent, of rallying the British and French behind their own governments when at first they were very hostile. The United States has now become the scapegoat of the British and French policy. And apparently we are going to have to pay for it.

We are going to have to pay for it in loans to the Western European nations with which they can buy our oil and we are going to have to pay for it in the increased prices for oil in this country. With a hard winter coming on this will mean a pretty penny to domestic consumers to say nothing of what it will mean to industrial users.

Now, I say this would have come about, very likely, without the aid of the foreign correspondents who seemingly always see the foreign government's view. We have a stake in Britain and France, of course. We have poured out billions towards the recovery of their economies. To permit disastrous unemployment now in either of those two countries, not to speak of Italy, West Germany and other friendly nations would simply mean that we would have to start all over with a Marshall Plan for Europe.

But the question arises as to what is our stake in Britain and France if they are not to continue to be imperialist nations, if they are not to continue to have their colonies or their colonial influence. Economically, they in themselves, that is Britain and France, have nothing. They do have something through their colonial holdings.

Are we to continue to encourage nationalism in the Arab countries; encourage them to act up against Britain and France? If so why continue to be the protector of the British and French economies?

There is another speck in the ointment of the ease which is now said to be coming into the Middle Eastern situation. And that is, that it is very doubtful if Anthony Eden will ever again have a close understanding with Eisenhower. Eisenhower doesn't like to be doublecrossed, as he was when Eden and Pineau, undoubtedly in abetment with Israel, moved into Egypt.

Chase Manhattan Bank To Increase Int. Rate On Savings Accounts

The Chase Manhattan Bank yesterday (Dec. 5) announced that it will increase the interest rate paid on savings accounts from 2½% to 3% per annum on deposits from $5 to $10,000, effective Jan. 1, 1957. The bank will continue to pay 2½% per annum on amounts from $10,000 to $25,000. Interest will be compounded and credited quarterly.

Edward A. Fischer

Edward A. Fischer, associated with G. H. Walker & Co., New York City, passed away Nov. 21.

Weeks to Be Partner In F. S. Moseley Co.

BOSTON, Mass. — On Jan. 1, Robert S. Weeks, Jr. will become a partner in F. S. Moseley & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges. Mr. Weeks is in charge of the Municipal Department.

Orvis Brothers to Admit Four Partners

On Jan. 1, Edward W. Klussman, Rudolph G. Nettel, Robert H. Clayton, Jr., and Edwin J. Fitzpatrick will become partners in Orvis Brothers & Co., 14 Wall Street, New York City, members of the New York Stock Exchange.

Automation and Our Future

By THOMAS J. WATSON, JR.*
President, International Business Machines Corp., New York, N. Y.

Facing squarely up to the charge that automation causes unemployment, IBM President predicts the process will do the opposite, and become known as the Great Emancipator for the working people. Mr. Watson envisions all factory jobs becoming white collar jobs, and avers that survival of the U. S. standard of living "depends on our ability to produce more goods with relatively less workers." Credits electronics with being the "missing link" in permitting financially feasible automation, and distinguishes between automation and men by pointing out machines never will think.

I want to discuss my favorite subject, Automation. This is a word important to all of us today—and its future importance to the American way of life almost defies the imagination.


T. J. Watson, Jr.

Talking about this subject to people in the oil industry is like carrying coals to Newcastle, for your industry leads the way in the application of this philosophy . . . but perhaps a short review may give all of us some new ideas—and studying the results of Automation in the petroleum industry gives us a pattern to apply elsewhere.

You hear the word daily nowadays. To some, it seems a nightmare; to others, a great industrial promise for the future, but it's interesting to all.

Is it a specter or a savior?

Driving here in Chicago recently, I noticed a sign on the La Salle Street bridge which said: BRIDGE BEING REMODELED TO PERMIT OPERATION BY ONE MAN INSTEAD OF TWO. I later learned that all of the bridges crossing the Chicago River are being modernized in this manner. The purpose, of course, is to permit better traffic flow—both highway and river—in that highly congested area and, equally important, to save money.

This is Automation on a small scale in a simple enough application so that it can be thoroughly understood. Probably in that La Salle Street bridge, an investment of several hundred thousand dollars is being made to replace one man.

Is this because man is unimportant?

Is it because man, in general, is being replaced by machinery—or is it perhaps quite the opposite?

Is this investment in the bridge coming about because of the vast importance of men—because of their shortage today—because of their high cost and the necessity of using them where they are most needed?

Walter Reuther's Statement

I think it is obvious that the latter is true. For a reasonable investment, one man is freed to take a more challenging job—and the job he leaves is made more interesting to his companion. This is sometimes called "Job Enlargement." The replacement of men by machinery is being made because of the vast importance of men—not because of their decreasing importance! Water Reuther said earlier this year that 200,000 automobile workers may be able to do the work of 1,000,000 presently employed in the industry because of automation. Nothing could be further from the truth.

Yet, repeated investigations and studies of the application of power and automation to industry has concluded that the processes in the aggregate always result in increased employment.

To make this doubly clear, let's reverse the principle and say that by law in the United States, we forbid any further Automation. Perhaps we could go a step further and as a guarantee against unemployment, we could remove all automated processes and power tools from the automobile factories in Detroit. As we step back along this line, you can easily see that in a misguided attempt to preserve high employment, the cost of a product would be prohibitive. The cost of an automobile, without power tools and Automation, might well be $50,000. At this price the market would be gone, and the industry would be dead.

Is it new . . . or is it old? Of course it's old because it has been going on since before the time of Christ. Some of the water-pumping devices of the Egyptians in 2000 B. C. were automated so that they operated for days and weeks without the intervention of human hands.

Defines Automation

I suppose before I go any further, I had better define Automation as I understand it so we all know what I am talking about. Automation is the process making machines—sometimes simple, sometimes complex — that run other machines . . . machines doing some of the work of men . . . the automatic control of power.

Usually, Automation is self-checking or self-controlling through the use of "Feedback." Therefore, is controlled power. In your catalytic cracking plants, in our own use of computers in business, "Feedback" is frequently mentioned. It means that the automated machines are able to analyze the work that they are doing as it affects the product and correct themselves accordingly.

In the oil process, the analysis of the product of the refinery against a standard and the correction of the heat of the furnace and other factors to adjust the final product back to a standard . . . In a machine tool, the analysis of the dimension of the product, automatically, and the resetting of the tool to bring the dimensions back to norm . . . In a computer, the double check of an intermediate result before proceeding with the problem . . . This is "Feedback."

So, Automation is not what the "Atlantic Monthly" has recently described it: "the uneasy, half-embarrassed rivalry between men and machines" . . . it is simply the use of machines in a more sophisticated manner by the men who design them and employ them . . . the placing of more machines and more power under the control of a single man.

The net result? Well, the net result of course is to put more power behind every worker in the United States. It is interesting to see the amount of power behind the workers in various industries in America. Petroleum, for example, uses nearly three times as much power per worker as iron and steel—over five times as much as automobiles—and fifty times as much as the apparel industry. The process in one case lends itself more easily to Automatic control than in the others. Steel, automobiles and textiles are less amenable to Automation than petroleum.

Clearly, in your own industry there has been a very high application of power both in the drilling of your wells and in the producing of your oil, a high amount of machine power—a relatively low amount of manpower to the great benefit of everybody involved.

Some industries don't lend themselves to Automation at the present writing. The more complex the job that a man does—the more difficult and expensive it is to replace him by machine.

And in many areas of industry, machines can never replace men. Machines are singularly unoriginal. They don't "THINK." They are essentially parrots repeating back or doing things which have been carefully taught to them. We call this programming . . . telling the machine what to do and when to do it.

But the machine cannot conceive of new things—take a few known facts and by combining them and THINKING, come up with an entirely new thought or invention. This conception, or inventing ability is what has brought all progress in the world and it has always been done by men . . . men who increasingly use machines as tools to help them. This is man's best work and as we progress, man will be doing more and more of it—while machines do the drudgerous, boring, dirty work of the world.

How often have all of us seen men in our own companies doing work we wish were done entirely by machine. In our French factory a few weeks ago, I saw a man running a punch press and producing washers. All day long, the machine punched out thousands of washers while the man pressed buttons for control. I thought of his pride of accomplishment at night compared to yours and mine. He has a shallow, boring life—let's face it—and his job should and will be automated. Then he can use his head for the purpose that God gave us all heads to use. He can have pride of accomplishment—he can be happy!

Automation in the Petroleum Industry

The history of your industry regarding Automation can be helpful to everyone studying the subject. It's a classic example of courageous use of controlled power being rewarded by great progress!

I wish I knew more about your industry than I do . . . but the little I have learned has caused me to have great admiration for oilmen. Quite frankly, your industry is one of the few that my own company has looked to with great admiration. We have tried to achieve for our hourly-rated people and our executives the same very high goals that you all are achieving every day.

But it wasn't always so in petroleum.

A century ago, the oil industry was in its infancy. It used much manpower — and some steam power. Each oil well had its own boiler and engine. Each required two men to operate it working "tours," from noon to midnight, and from midnight to noon, six days per week. In 1869, David Yanney erected a big boiler and piped steam to six engines pumping six wells. This apparently was the first small step on the road of Automation in Petroleum. By 1880, several wells were connected to one engine by walking-beams. Thus, one man could pump 30 wells and get from them as much oil as was produced under the original system with 30 boilers, thirty engines, and 30 men employed.

Meanwhile, Samuel Van Syckel constructed a two-inch pipeline between Pithole, Pennsylvania, and a loading point about five miles away on Oil Creek.

This pipeline was a threat to the teamsters who formerly had trucked the oil to the shipping point. However, the progress of the industry was so stimulated by the pipelines and other improvements that there was soon more work for the truckers in other lines.

The disagreeable work of transporting oil by truck was ended by a crude form of Automation—just as today's unpleasant jobs are being taken over by machines.

Ever since that day, oil workers have been finding out if they have increasingly better tools to work with, they constantly make more money. In 1910, the average hourly pay of a production worker in the oil industry was about 25c . . . in 1939, it was 96c . . . today, those average hourly earnings are $2.70, almost triple the 1939 rate!

As you know, examples of Automation have been even more obvious in the refinery than in the field.

When the industry began, refineries were small operations with one or two stills. The stills were charged and their contents distilled by heat until only tar was left. This took half a week, with good luck, so that the weekly capacity of a refinery was about double its still capacity. About the turn of the century, continuous refineries were designed which probably would have put still operators out of work if the petroleum industry had not been growing so rapidly.

Automation is even apparent at the wellhead today. Central programming of pumping stations pumps each well each day in accordance with the existing "allowable" level and without human intervention, except for inspection.

It is obvious that the oil industry embraced Automation long before the word was coined.

Created $15 Billion Industry

In the last 20 years, Automation has helped petroleum grow up into a $15 billion industry. Today oil and natural gas account for

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*An address by Mr. Watson before the 36th Annual American Petroleum Institute Meeting, Chicago, Nov. 15, 1956.

Foreign Economic Policy—Sins Of Commission and Omission

By EMILIO G. COLLADO*
Treasurer, Standard Oil Company (New Jersey)

In emphasizing the vital place of more liberal international trade in world peace, Standard Oil official notes that private capital invested abroad has been very substantial, which, on a realistic gross instead of net basis, exceeds our government's economic aid; and points out that business realizes the ticklish problem confronting our government in weighing government aid versus private capital. Author suggests: (1) aid decisions should also consider private capital treatment by recipient countries; (2) Trade Agreements Act be implemented by joining the O.T.C.; (3) greater recognition and support for private investments abroad by our own and by foreign governments; and (4) Congressional foreign investment tax revision.

I would like to discuss briefly what, in my opinion, has been right and what has been wrong in our country's foreign eocnomic policy in recent years—not forgetting that other countries have their sins of commission and omission, too.

Emilio G. Collado

Our government has recognized how important our foreign economic policies are, and a number of bipartisan committees have studied them since the end of the war. The Gray Report, the Rockefeller Report, and particularly the Randall Report in 1954, made specific and far-reaching recommendations. Another group, the Fairless committee, currently is bringing the facts about foreign aid up-to-date and restudying them in the light of present world conditions.

In my opinion, the previous recommendations have been good ones, for the most part. Unfortunately, in a number of areas, we have not adopted the recommendations, or have dissipated the effect of some of the good actions we have taken by other actions which have brought strong unfavorable psychological reactions abroad. In other instances it has taken a long time to implement recommendations. For example, in 1951 the Rockefeller Report suggested establishment of an International Finance Corporation. Only this year has it come into being. We have, in fact, progressed only part way toward the achievement of a sound foreign economic policy.

Dollar Gap Not Solved Yet

One of the reasons has been the feeling of complacency that has arisen when we hear how nations abroad are accumulating reserves of gold and dollars. It sounds as though the dollar shortage problem has been solved—that other nations are earning more dollars than they need and that we can relax. Apparently we are achieving "trade not aid" in the most important trading areas of the world, Europe and Latin America. Direct economic grants and credits have declined significantly. Whereas, in 1949, such aid amounted to $5.4 billion, last year it had declined to $1.7 billion. Although military aid, in the form of supplying arms and equipment, has an economic impact, it is divorced from the balance of payments. Technical aid generates very little foreign exchange. Altogether it would seem that these accumulations of dollars by other countries must signify the solution of the dollar shortage.

Actually, the problem has been solved in a large part of the world only by maintaining more strict controls over dollar trade than over non-dollar trade, and with dollar receipts from the large military expenditures which we are continuing to make in order to meet the political tensions in the world. Today's events apparently have led many to conclude that maintenance of troops abroad and the military support of our alliances and allies are a permanent part of our international economic life. Actually, though, these contributions to the dollar shortage are an extraordinary factor. We cannot afford to become complacent. The international trade problems of the world are far from solved.

U. S. A. Dominates World Trade Influence

It is still true that the United States is the dominant world trade influence and that our trade policies set a pattern for the rest of the world. Obviously, then, it seems to me, we must provide positive leadership toward trade liberalization. The United States Government has taken constructive action. The most apparent achievements, of course, are the renewals of the Trade Agreements Act, and the authorization of 15% reductions in tariffs over the next three years which accompanied the last renewal. The actual impact of these reductions probably is very small, but the final passage by the Congress over extremely vigorous opposition certainly provided a definite psychological gain for the United States abroad.

On the other hand, how disappointing it is that the Congress failed to back up these principles this year when it failed to approve membership in the Organization for Trade Cooperation, a membership which requires no new trade concessions or policies but which is simply a reaffirmation of basic United States trading principles. In addition, the decisions in a number of escape clause cases have had a great deal to do with a growing feeling abroad that our promises are empty. The three most important cases—watches, bicycles, and woolens—in themselves have only a small effect on trade itself. Unfortunately, the psychological damage was, and is, great.

The pressures from individual groups and industries to obtain special exemptions are tremendous, as we all know, and the Congress pays a great deal of attention to such groups. Actually, as has been shown in repeated surveys, and as Mr. Percy Bidwell points out so convincingly in his recent book, published for the Council on Foreign Relations, "What the Tariff Means to American Industries," public opinion in general is far more favorable to liberalization of our trade policies than is the Congress.

Exports Mean Jobs, Too

The point is, of course, that the case supporting such trade policies in the interests of the general welfare of the country can be demonstrated convincingly. The number of jobs affected by exports, for example, is many, many times the 1,000,000 jobs which, in Mr. Bidwell's estimate, are the maximum which are dependent on tariff protection. It also has been pointed out that some 2,000,000 workers change jobs monthly in just normal industrial movement.

The Congress, and the administration to a certain extent, have responded to pressures which, in my opinion, not only cannot be justified in terms of the country's general welfare, but have done significant damage to the whole cause of world trade.

Foreign aid, of course, has been an integral part of our overall international economic policies. Despite the fact that we have been dispensing such aid for many years, I have a feeling that public opinion is very much confused on the subject. On the one hand there is a rather obvious desire for a simple, concrete policy which, once decided upon, could be applied on all occasions without further thought. On the other hand, there is the widespread realization that changes in the world make such a fixed policy unworkable. Also, there are the understandable conflicts between our humanitarian motives, and the burdens of our taxes which supply the money for foreign aid.

Probably we must recognize that there is no simple way out of this dilemma, no single formula to decide the appropriate amount of aid, if any, for a particular country. It seems to me that each case must be hammered out in intergovernmental bargaining, with firm commitments on the undertakings by each side, and that bargaining ought to be conducted with frank recognition of the self-interest involved.

Recognizing the Third Side of International Economics

I also believe that much more thought and consideration need to be given to that third side of our international economic activities—the investment of private American capital abroad. The enormous potential help which such investments can contribute, particularly to the future development of the underdeveloped areas of the Free World, generally is recognized. Many countries eagerly are seeking such investments, and many American business enterprises of all kinds are looking for good opportunities to go into business abroad. And I am sure that United States businessmen would make increased investments abroad if there were greater recognition and support for their activities, both by our own government and by foreign governments.

In this country, policy statements by the administration and by the bipartisan commissions have left no question of such support. They have recommended many actions, some executive, some legislative, to encourage private investment abroad, but so far a number of these recommendations have not been implemented.

One recommendation had to do with diplomatic support by all of our official agencies and representatives abroad. It is not easy to generalize about the accomplishments, or lack of them, in this area. It is my impression, though, based on experience and reports from our foreign affiliates, that our country's foreign service people have been taking an increasing interest in trying to obtain both an understanding of

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*An address by Mr. Collado before the Seventh Kentucky World Trade Conference, Louisville, Nov. 12, 1956.

Gold and the Suez Crisis

By PAUL EINZIG

In looking into the present price divergence of gold bullion from gold coins, Dr. Einzig doubts whether in the U. S. A., Britain, and some other countries, gold would be used as an anti-inflation hedge so long as those respective countries maintain their official gold buying price and do not devalue exchange value of their currencies. Author sees no indication that the Keynesian prophecy that gold's value would decline to that of scrap iron "will ever come to be realized."

LONDON, Eng.—The strange behavior of the price of gold since the beginning of the present crisis in the Middle East has been subject to much comment in the financial Press. Since time immemorial there was a rise in the price of gold each time there was a feeling of uncertainty owing to a political or an economic crisis. On the present occasion, too, the price of sovereigns and of gold coins in general has responded to the Suez crisis in accordance with this well-established rule. There has been a sharp increase in the premium on coins compared with their bullion value. On the other hand, the price of bullion has been remarkably weak in all European markets.

Paul Einzig

The London market price of gold declined to 250s 8¾d an ounce on Nov. 27. On the basis of the current rate of exchange this was equal to $34.88. This is lowest dollar price since the reopening of the London gold market. It is slightly below the price that can be realized through sale to the United States authorities. Even at $34.88 it was not profitable, however, to ship gold to New York because the cost of shipment, insurance, loss of interest etc. would amount to something between 12c and 15c an ounce.

Gold Coins Are Up and Bullion Down

A popular explanation of the weakness of gold bullion is that it is due to selling by Central Banks for the purpose of providing dollars for oil purchases. Presumably several European central banks preferred to resort to this method of financing the abnormal dollar import rather than draw upon their dollar reserves. Even so, the absence of adequate demand to absorb such selling is somewhat puzzling. After all, if the international political uncertainty induced many people to buy sovereigns, the same consideration should have induced them to buy gold bars. And yet they prefer to buy sovereigns at a considerable increased premium rather than bars at a discount.

The explanation is two-fold. Hoarders and potential hoarders have always preferred coins to bullion. Throughout the postwar period coins have commanded a substantial premium over their bullion value even though during recent years that premium declined considerably. Its increase during the present crisis indicates the degree of this preference. Gold bars are cumbersome and have a limited market because they have to be weighed and the ordinary hoarder is distrustful about their fine gold content. He prefers coins with which he is familiar and in which he has confidence. Postwar experience has confirmed his faith in coins, because even though sovereigns have been counterfeited on a very large scale for the sake of benefiting by their premium, as far as is known all counterfeit sovereigns that have got into circulation are of full weight and fineness.

For some time the supply of sovereigns that has come on the market as a result of large-scale counterfeiting has largely contributed towards the reduction of the premium. Thanks to the vigorous action taken by the British Treasury against the practice of counterfeiting in a number of countries, this source of supply has become materially reduced even if it could not be eliminated altogether. As a result, the sudden increase for the demand in sovereigns has found the market unprepared. Hence the sharp rise in the premium.

Middle East and Other Hoarding

Another reason for the contrast between the tendency of sovereigns and bullion lies in the fact that in the Middle East sovereigns are the favorite medium of hoarding. The international political uncertainty affected the Middle East even more than Europe, and demand by Arab countries must have made itself felt in Western European markets. This demand was entirely confined to sovereigns. Other gold coins were marked up in sympathy with the appreciation of sovereigns.

According to a Vienna report gold coins were practically the only valuables which a number of Hungarian refugees were able to bring out of Hungary. Indeed, that's the reason why the Russian troops and the frontier guards of the Hungarian puppet Government display such zeal in preventing refugees from crossing the border. Refugees who are caught are searched and their gold coins are confiscated. This is only one example of the extent which gold coins are still used during periods of acute political uncertainty.

Gold Still Rules

Nobody should imagine, therefore, that the decline in the price of gold bullion during the present crisis indicates the beginning of the twilight of the rule of gold. It is true, the extent to which gold is used for the purposes of reserve to secure the domestic note circulation and credit structure has declined considerably during the last quarter of a century. The popularity of gold as a medium of hoarding has always been affected by the determination of the United States not to raise the official dollar buying price of gold and by the determination of Britain and other countries not to devalue their national currencies in terms of gold and dollars.

So long as this attitude continues, gold is not a suitable hedge against domestic inflation unaccompanied by a depreciation of the exchange value of the currencies of the countries concerned. On the other hand, gold is needed as much as ever for the settlement of adverse balance of payments on international account. Above all, gold has retained its traditional role as a medium of hoarding during periods of wars, threats of war or internal upheavals. There is as yet no indication that the Keynesian prophecy that the value of gold would decline to that of scrap iron—the latter itself is now a much more valuable commodity than it was thirty years ago when Keynes made that prophecy, will ever come to be realized.

New Capital Formation Outlook For 1957 and the Years Ahead

By ROBERT P. ULIN*
Department of Economics, McGraw-Hill

McGraw-Hill Economist emphasizes new plant and equipment spending is going up in 1957, substantially over 1956, assuring total private investment increases and a powerful general business boom support. Does not believe increased manufacturing capacity foreshadows investment boom collapse; envisions over the next few years added capacity to be more in line with population growth and incomes; and indicates business capital expenditures will continue to increase — subject to business pauses and immense changes in production techniques. Without minimizing home building's economic importance, Mr. Ulin finds it not vital in 1957 forecast. Observes inventories are not large at present, and doubts whether the necessarily larger inventory required by 1957 business growth will become too dangerously built-up.

We might have some argument about what the term "capital formation" means. According to classic teaching, land is capital. According to investment practice, capital is money invested — in land, buildings or equipment. And to consumers, I suggest, an automobile or a kitchen stove is capital, as much as land or buildings to a business enterprise.

Robert P. Ulin

Any of these definitions may apply in a special situation. But my discourse will be about business capital; that is to say, additions to inventories, plant and equipment. Along the way, I'll say a bit on housing—because none of us can decide if this belongs under consumer spending or under government—and so on our program, it's under business investment.

In 1956, new capital formation— new business investment—is exceeding all previous records, with **a total of $64 billion.** In other words, $64 billion has been invested in new, permanent structures and equipment. **It is important to note what counts in this total:** Two items are quite small, and one item is very large:

(1) Inventory change accounts for only about $3 billion out of $64 billion.

(2) Homebuilding accounts for $15 billion.

(3) Investment in new plant and equipment accounts for $46 billion,[1] or two-thirds of the total.

Capital Spending Going Up in 1957

So what really counts for 1957, both by reason of its size and by reason of its momentum upward, is spending on plant and equipment. This is what most affects the demand for construction labor and materials, for durable goods and the skill to make them, and for new capital from our money market. Moreover, the increase in the past year alone has been almost $6 billion. And at some times in our past, we have had declines that were quite as sharp.

It is a law of physics—though I am not convinced that it applies in economics — that what goes up must come down. And so many of you are probably on the anxious edge of your seats, as I come to a forecast of what will happen to capital spending next year. I will resolve these doubts at once: **Spending for new plant and equipment is going up in 1957.** I cannot give exact figures, because the surveys on which we rely for such figures are not complete. Our own preliminary survey for 1957 is being made right now. But **I will make three points to emphasize my forecast:**

(1) Spending will be up **substantially** over 1956.

(2) The increase will continue all year long.

(3) Therefore, total private investment will continue to increase and to be a plus factor in our business outlook.

Now let us turn to a detailed consideration of the outlook for 1957, dealing in reverse order of their importance, with inventories, housing and new plant and equipment.

Inventories in 1957

I approach the subject of inventories with some misgiving, because I have not the foggiest notion of where inventories stand at the moment. Repeated attempts to survey businessmen on inventories suggest that most of them do not know what their inventories will be—and those who do have a good idea are not inclined to disclose it. However, I am saved the necessity of being very precise on this subject, because I am dealing with a small figure and so cannot make a large error.

Inventories are not large at the moment, because the steel strike acted as a crude stabilization device and cut off what might have been quite a build-up of inventories in 1956. Rebuilding is going on now—but I have met no one who suggests that it is going at a frantic rate. According to the only figures we have, total business inventories were last reported at about 1.6 times monthly sales—which is about average or "normal" for the postwar period. The laws of physics, as amended, may apply here. What has not gone up cannot come down—at least, not very hard.

No Dangerous Inventory Expected

Of course, if the **rate** of inventory formation should increase rapidly in the early part of 1957, this rate might slow up suddenly in the last part. I believe every forecast made to this conference since it was started in 1953 has included some foreboding that this slow-up would occur. However, in each of the years forecast—1954, 1955 and I think 1956 —the fourth quarter has been the **highest** quarter in terms of **both** sales and inventory formation. It may be that we are learning something about how to control the speed of an inventory build-up.

In any event I do not expect a dangerous build-up of inventory during the early months of 1957. **Inventories apparently are not high now, relative to sales. And sales are rising rapidly.** Somewhat higher inventories will be necessary to support the volume of business that is clearly in prospect for the first half of 1957. But a dangerous build-up is not likely to occur when goods are moving off the shelves so rapidly.

Moreover, a dangerous build-up is not likely to occur when funds for speculation are as difficult to find as they are right now. Money is tight. Bankers are questioning the purpose of loans and suggestig that firms turn over their inventories more rapidly. The financial managers of large corporations are exerting similar pressure on their operating divisions. So it is not easy to "carry a little extra" in hopes of beating a price increase.

Actually, the temptation to do this is not very great either. Typical forecasts call for only 1-2% rise in the general price level next year, and in some cases there are risks of price declines. Loans to carry inventory cost 4-5%. My own survey of this problem—made among the venturesome individuals of the 7th Avenue garment district—tells me that it is not a good deal at all. Five percent money is still okay to put in real estate, uranium stocks, oil wells or Broadway shows—or even to use at the race track—but inventory,—No.

The same mood prevails in the automobile industry, where dealers have sponsored a law to protect themselves from what they claim is overloading by their suppliers. Some dealers are finding it difficult to arrange wholesale financing for extra cars. Most of them find inventories less attractive since the practice of "discounting" the extra cars became widespread. And all this sobriety may result—although one never knows in this industry—in a smaller build-up of car stocks than in past years of strong auto markets.

In fact, a mood of healthy caution seems to dominate business inventory policy generally at this time. The mood may change. We may lose the caution. That is always a danger. But my own forecast—which I shall remind you is based on inadequate statistics—is for no great change in inventory formation during 1957.

Homebuilding

The homebuilding industry is extremely important in the economy and welfare of the nation. But it is not important in a forecast for 1957. It cannot go either up or down—very far. **In postwar years, the value of residential building has swung sharply up or down only when there has been a marked change in the availability of credit. For 1957, such a change is not possible.** Builders have already been informed by lenders that no increase in the flow of funds to this industry will be possible during the first half of 1957; the funds are already committed to higher yielding investments.

As the year goes on, I expect there will be some improvement in the yields allowed on government-insured mortgages. And this will encourage lending on such mortgages. But it will be too late to affect greatly the total of residential building for the year.

We must also face the fact that homebuilders are selling in a tough market. The great wave of new family formation that sparked postwar housing developments has passed. Family formation is somewhat lower now. And the supply of good, modern housing available in the "used house" market is considerably greater. To be sure, many families would like bigger houses—or better houses—but what they would like and what they will buy are two different things. The difference is ability to pay. And after a year

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*An address by Mr. Ulin before the Fourth Annual Economic Outlook Conference, University of Michigan, Nov. 16, 1956.

1 Includes plant and equipment purchased by farmers, professional men and non-profit institutions, as well as business expenditures for capital goods.

Conservative Economic Policy —A Current Appraisal

By HENRY C. WALLICH
Professor of Economics, Yale University

With the assumption that conservatism means many things to many people, with that of Pres. Eisenhower differing from Mr. Hoover's, Dr. Wallich asserts as its characteristics the belief that the safeguarding of individual freedom should be realistic, leaving maximum responsibility to each individual. Maintaining economic expansion brings social change, warns "conservatism is not conservationism." As challenges to conservative economic policy, he lists the circumstances attending rapid growth, the threat of inflation, and the strengthening of the American enterprise system. Avers the alternative to free enterprise is not socialism, but also undesirable a more centralized system with intensified government intervention and strong compulsions. Concludes while conservatism has a unique opportunity on a path toward uniting the country instead of dividing it, it must develop forward-looking policies.

During an election campaign everybody talks politics. But our work, eight hours a day and sometimes a little more, comes mainly under the heading of economics. How successfully we work, and how well we are rewarded, depends in good part on the economic policies that, as a nation, we decide to adopt.

Henry C. Wallich

We have seen conservative economic policy in action now for one Presidential term. In the arena of politics, however, where the dust never settles, the basic designs are less visible than the incidental alarums and excursions. Conservatism is an attitude, an approach, more than a specific set of doctrines. Its specific policies must change with the times — anything else would be ossification, not conservatism. And conservatism must flow from convictions, if it is to be more than opportunism and defense of vested interests. What are the economic issues, and what stand does conservatism take on them?

Conservatism, no doubt, means many things to many people. No single individual can speak for all of them. The conservatism of Dwight Eisenhower is different from that of Herbert Hoover. The conservatism of Arthur Burns is not that of Senator Byrd. As we move from basic principles to specific policies, views are likely to grow farther apart. In stating either, I am presenting only one man's view.

Conservatism's Main Features

The main features of a conservative attitude are not hard to discern. Conservatism takes an organic view of society, as something that has grown up over time and cannot be arbitrarily changed — very different from a set of building blocks that can be shuffled and reassembled whenever someone invents a new model. Conservatism puts more stock in experience than in abstract reasoning. It is skeptical of broad solutions, preferring to go step by step, to cross no bridges before they have been reached, and burn none after they have been crossed.

Conservatives share with liberals their belief in the supreme value of the individual and his freedom. This central core of Western philosophy is no conservative monopoly. But conservatives believe that their ideas about how to safeguard this heritage are more realistic. They feel that the best way to develop the qualities of the individual is to exercise them, by leaving to each man all the responsibility he can carry. For the sake of self-reliance and the creativity that flows from it, conservatives are more tolerant than liberals of surface imperfections.

These almost instinctive attitudes shape the specific policies advocated by conservatives, but certainly do not commit them to any unvarying doctrine. This applies with particular force to the economic field. Our economy can not stand still for long; it must expand or sink into depression. Expansion requires invention and brings social change. Conservatives, if they want to preserve principles, must accept and even promote changes in outward form. They will be selective about change, and try to bring it about with a minimum of disturbance. They will not, if they are wise, resist it. Conservatism is not conservationism.

The conservative, then, is far from wanting nothing to be done for the first time—as far as the responsible liberal is from wanting nothing done twice. In mid-20th century, both sides strive for moderation. They slough off the influence of extremists — neither side wants to be known as the party with the lunatic fringe on top. Today, the irreconcilable conflicts are not between right and left, but between the moderates and the extremists of all persuasions.

The Goal—Growth Without Inflation

What are the economic policies that should flow from a conservative attitude? They must be moulded, of course, to meet the challenge of the times. Perhaps the dominant challenge to be encountered by a conservative administration will be to encourage rapid growth of the economy without inflation. This goal alone would call for broad range of action that will take the measure of any party platform or chamber of commerce program.

At first blush, "growth" as a top policy goal seems to be something of a stranger to the conservative vocabulary, where stability and balance are more at home. Isn't such emphasis bound to lead away from truly conservative preoccupations, toward a paroxysm of materialism? Does it make sense to speed up when we are not sure what lies at the end of the road?

On second thought, conservative concerns like these must retreat into the background when confronted with the realities of the situation. The most obtrusive of these realities is Russia. There are still those who seem to think that the best way of countering the growth of the Russian economy is to deny that it is occurring. A more rational approach is to

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*Reprinted by permission from the Autumn 1956 Issue of the Yale Review.

Private Lending Opportunities In Federal Housing Programs

By FRANK S. MEISTRELL*
Commissioner, Federal Flood Indemnity Administration
Former Deputy Administrator, Housing and Home Finance Agency

In depicting the impact of Housing and Home Finance Agency's program on the economy, Commissioner Meistrell points out: FNMA holds nearly $2¾ billion in mortgages; FHA insures almost $20 billion home loans; and more than one-half of non-farm homes last year were started under FHA-VA programs. Reveals: there would be no pressures on part of FHA to dispose of houses for cash in event of large number of foreclosures in short period; FNMA debentures enjoy a high credit rating; Community Facilities Administration sets interest rate by the market place; and that the new Flood Indemnity program's experimental aim is to have private industry subsequently take over this insurance operation.

I want to begin by reviewing very briefly the structure of the Housing and Home Finance Agency. For perspective I will go back to 1942.

Frank Meistrell

In that year President Roosevelt, under his war powers, consolidated the government's housing operations, which had been spread over some 15 agencies and bureaus, under the new National Housing Agency. In 1947, under Reorganization Plan No. 3, the Housing and Home Finance Agency was established to take over, on a permanent basis, the duties and responsibilities of the war-born agency.

Today the HHFA, headed by Administrator Albert M. Cole, consists of six constituent agencies whose operations are coordinated through the overall policies and supervision of the Office of the Administrator. Although each of the constituents has its own distinct field of activity, all of them are closely related to the Agency's overall responsibility to assist in maintaining a sound housing economy and the improvement of living standards and facilities in our urban communities. Under the present Administration, all of these operating programs are geared together and used in concert through the coordinating powers and policies of the HHFA Administrator.

The six constituent agencies are the Federal Housing Administration, which insures private housing loans; the Public Housing Administration, which administers Federal aid to localities for housing low-income families; the Federal National Mortgage Association, which helps maintain a secondary market outlet for FHA and VA home mortgages; the Urban Renewal Administration, which helps local communities clear slums and eliminate and prevent the spread of urban blight; the Community Facilities Administration, which aids communities to provide public works and makes loans to colleges to meet their expanding housing needs; and the new Federal Flood Indemnity Administration, recently established to insure properties against flood loss. In addition, the Administrator has various other responsibilities, including a system of voluntary mortgage credit for home buyers in remote areas and for minority families, a new research authority to develop and supply data on all aspects of housing, and the responsibility for the disposition both of war and defense housing and community facilities and, more recently, for the sale to local residents and private owners of the housing and commercial properties in the Government-owned Atomic Energy Commission communities of Richland, Washington, and Oak Ridge, Tennessee.

Scope and Magnitude

My purpose in providing this review is also in part to remind you of the scope and magnitude of the Housing and Home Finance Agency and the impact of the various programs on the national economy. Many of you, no doubt, like many others may have at best only a vague idea of the HHFA since your own interests and dealings have been largely concerned with only certain parts of its functions, such as the FHA, the PHA, or the URA. But I think you will agree that, taken as a whole, the HHFA is one of the most vital and important arms of the Government in terms of our economy and our daily living.

Since there is no dollar denominator common to all the programs, because of the many varied types of operation, I cannot present you with a consolidated report, as I might do if I were president of a bank, an insurance company, a railroad, or a manufacturing corporation. But I can give you an idea of the size of HHFA's operations by citing some simple figures.

The Federal National Mortgage Association holds a portfolio, covering all its operations, of nearly $2¾ billion worth of mortgages.

The Federal Housing Administration has on its books just under $20 billion worth of insurance on home loans.

In addition to the HHFA there is, of course, the Veterans' Administration. Last year 670,000 new non-farm dwelling units, or more than one-half of the total, were started under the mortgage insurance and guarantee programs of the FHA and the VA. And $10 billion worth, or more than one-third of the non-farm mortgages under $20,000 recorded in 1955, were either FHA-insured or VA-guaranteed. Since the inception of these programs a total of $70 billion worth of mortgages on homes and housing projects have been insured by FHA ($33 billion) or guaranteed by VA ($37 billion).

Since it exerts such a major influence upon the economically strategic home building and home financing industries, the Government must administer its programs in these areas with an eye to maintaining stable economic growth. While seeking to encourage a high rate of home building that will fully employ the resources of the industry, the Eisenhower Administration has always done so within the framework of over-all economic and monetary policies designed to prevent both inflation and deflation.

For this reason, in coordination with general monetary policies adopted to restrain inflation in 1955, restrictive measures were taken by the Government in the home financing programs. Briefly, in the housing field, down-payment requirements for FHA-insured and VA-guaranteed loans were raised in 1955 above the statutory minimum, and maturities for insured and guaranteed loans were reduced below the statutory maximum. In addition, savings and loan associations were restricted to 10% of their savings share accounts in the aggregate amount they could borrow from Federal Home Loan Banks for making new mortgage loan commitments.

Foreclosures and FHA

The unchecked extension of mortgage credit during past periods of thriving prosperity, as in the 1920's, led to inflated prices, marginal credit underwriting, and subsequent foreclosures and losses. When foreclosures of homes were running at over 200,000 a year in the early 1930's, this volume was in part the result of the short-term straight mortgage and the supplementary financing by second and third mortgages which had characterized so many of the home purchases during the 1920's. In order to stem the trend to foreclosures, the Home Owners' Loan Corporation was established in the early 1930's to permit home owners to refinance on terms which they could carry—and also to take over many properties and hold them off the market. The HOLC made over a million mortgage loans and acquired nearly 200,000 homes — and, incidentally, after about 20 years of liquidation, ended up in the black.

In the mid-1930's, the Federal Housing Administration was established. The FHA mortgage insurance system has facilitated the purchase of homes with low down-payments, thereby obviating the need for junior financing. Since the FHA-insured mortgages are amortized over long periods of time (with level monthly payments) they have greatly reduced the likelihood of default. Lenders have been encouraged to make such loans not only because they are insured, but also because the FHA performs a sound borrowers credit underwriting job, and, although the loan amount is determined by the statutory loan-to-value ratio, it is based on an appraisal of the long-term property value.

Finally, the FHA mortgage insurance system has a built-in stability feature for the housing market. When a default on a FHA-insured loan occurs and the lender forecloses and tenders the property to the FHA he is not paid in cash, but in debentures guaranteed by the Treasury which have a maturity of 20 years. Thus, if the FHA should be tendered a large number of foreclosed properties within a relatively short period, FHA would not be under pressure to dispose of the homes to obtain cash to pay claims under its mortgage insurance contracts. It could hold the properties during the 20-year term the debentures have to run, and the properties could be disposed of gradually during periods of a stable housing market.

Home Building Trend

The innovation of the FHA did not immediately lead to a housing recovery, and over the intervening years there have been successive liberalizations of the loan terms permitted on FHA-insured loans. After World War II the VA loan guaranty program introduced more liberal terms than had ever before been available: mortgage loans could be made for 30 years and could cover the entire price of a house, eliminating any down-payment requirement. Under the impetus of liberal financing terms, the availability of loanable funds, and a housing shortage which had developed during the depression and war, home building activity was accelerated from year to year until it reached the record of 1,396,000 new dwelling units started in 1950. Home building was reduced to about 1.1 million units a year during the next three years under the impact of credit regulations imposed with the advent of the Korean War. The credit regulations were removed in late 1952 and early 1953. Activity again began to accelerate in 1954 with starts reaching 1.2 million that year and 1.3 million in 1955.

The high volume of home building in 1955 was due in part to provisions of the Housing Act of 1954, which permitted higher loan-to-value ratios and a longer maturity on FHA-insured loans. The principal factor making for the high level of residential construction of 1955, however, was the easy money market condition which had developed during the latter part of 1953 and prevailed through much of 1954. Under the circumstances, FHA-insured and VA-guaranteed loans for which lenders had made commitments during the easy money period financed sales in many home projects in 1955.

After mid-1955, however, sharply increased demands for investment funds made for a relative scarcity of money and led to rising interest rates. This development, plus the policies adopted by the Federal Reserve Board to curb inflationary expansion of credit, and the specific actions taken to restrict the most liberal terms of home financing, all had a retarding effect upon homebuilding activity.

Effect of Tight Money

By the beginning of this year the inflationary pressures arising from the homebuilding segment of the economy had been substantially reduced. The rate of expansion in housing credit also had subsided. In fact, in order to avoid undue deflation in this segment of our economy, the earlier housing credit restrictions were modified by removing the restrictions on maximum maturities.

Nevertheless, the demands for credit in the over-all economy continued to rise, and the resulting restrictive monetary and credit policies fell with greater effect on homebuilding than perhaps on any other major production activity. The tight money situation has made the 4½% FHA and VA interest rate—which in the case of the VA program is fixed by law—less attractive to lenders.

In September of this year the Administration acted further to relieve some of the pressure on home financing by permitting minimum down payments on lower-priced housing financed with FHA-insured loans, where the pinch was most severe, and by actions to assist the secondary market for FHA and VA home loans.

FNMA Recent Changes

This brings me to the Federal National Mortgage Association, the HHFA constituent which buys FHA and VA mortgages when private secondary markets are tight. As part of its steps in September to alleviate the tightness of funds in the housing segment, administrative actions were taken through this agency to make more financing available. In order to supplement the supply of private funds for insured and guaranteed mortgage loans, the FNMA stock subscription required of sellers of mortgages to FNMA was reduced from 3% to 2%, and later to 1%, of the outstanding balance of mortgage loans sold to FNMA; and in that phase of the operation where FNMA commits itself in advance to buy mortgages the purchase price was raised from 92 to 94.

FNMA, as you know, buys only FHA-insured and VA-guaranteed mortgages. Prior to 1954, when it functioned actively, FNMA supported the market for insured and guaranteed mortgages by purchasing them at par. Some two years ago, however, as part of the Administration policy of reducing Government supports of various programs, and looking toward the eventual private ownership of the secondary market facility, legislation to recharter FNMA was proposed in the Housing Act of 1954 and passed by the Congress.

Under the new FNMA charter the secondary market operation has separate accountability from any support functions. FNMA buys insured and guaranteed mortgages at prices within the range of prices in the private secondary mortgage market, so that it will be in a position to resell them to private investors. Stock subscriptions are required of sellers of mortgages to FNMA, so that when the accumulation of private capital and surplus will permit the retirement of the original Treasury capital stock the ownership of the secondary market facility can be turned over to the private stockholders. Dividends are paid to stockholders, and payments in lieu of taxes are made to the Treasury out of earnings. Operating capital is obtained by selling FNMA debentures in the private market. The amount of debentures outstanding at any one time may not exceed ten times capital and surplus.

Sale of FNMA Debentures

On Nov. 8, 1956, the Federal National Mortgage Association offered $100 million of secondary market operations debentures to provide for the redemption of a like amount of debentures on Nov. 20, 1956. This is the third issue, $100 million having been sold in February and another $100 million in August of this year. The two earlier issues were well received in the market and are highly regarded by commercial banks, savings banks, and other investors.

As you probably know, active day-to-day markets are maintained by dealers in Government and agency issues. This market's appraisal indicates that the FNMA debentures compare favorably with other agency obligations such as the Federal Home Loan Bank notes and the Federal Intermediate Credit Bank debentures. The assets behind the FNMA debentures are the portfolio of Government-insured and guaranteed mortgages held under the secondary market operations of the Association. The Secretary of the Treasury has a substantial equity investment in the Association in the form of preferred stock. The Secretary also has the right to purchase up to $1 billion of the secondary market operations debentures.

National banks may invest in these debentures without regard to the statutory limitations and restrictions generally applicable to investment securities.

The direct identification of the Association with the Federal Government, as well as the virtually risk-proof character of its assets, provides the basis for the high credit rating given to the Association's obligations.

Under separate accountability FNMA has two other functions. Under a special assistance function it buys mortgages for special programs, such as military housing and urban renewal housing, using Government funds in amounts authorized by the Congress. Under its management and liquidation function it acts as trustee for the Treasury in liquidating the old portfolio of some $2.5 billion worth of mortgages bought by FNMA at par. In connection with the latter function FNMA has issued debentures secured by the portfolio in the amount of $570 million in the pri-

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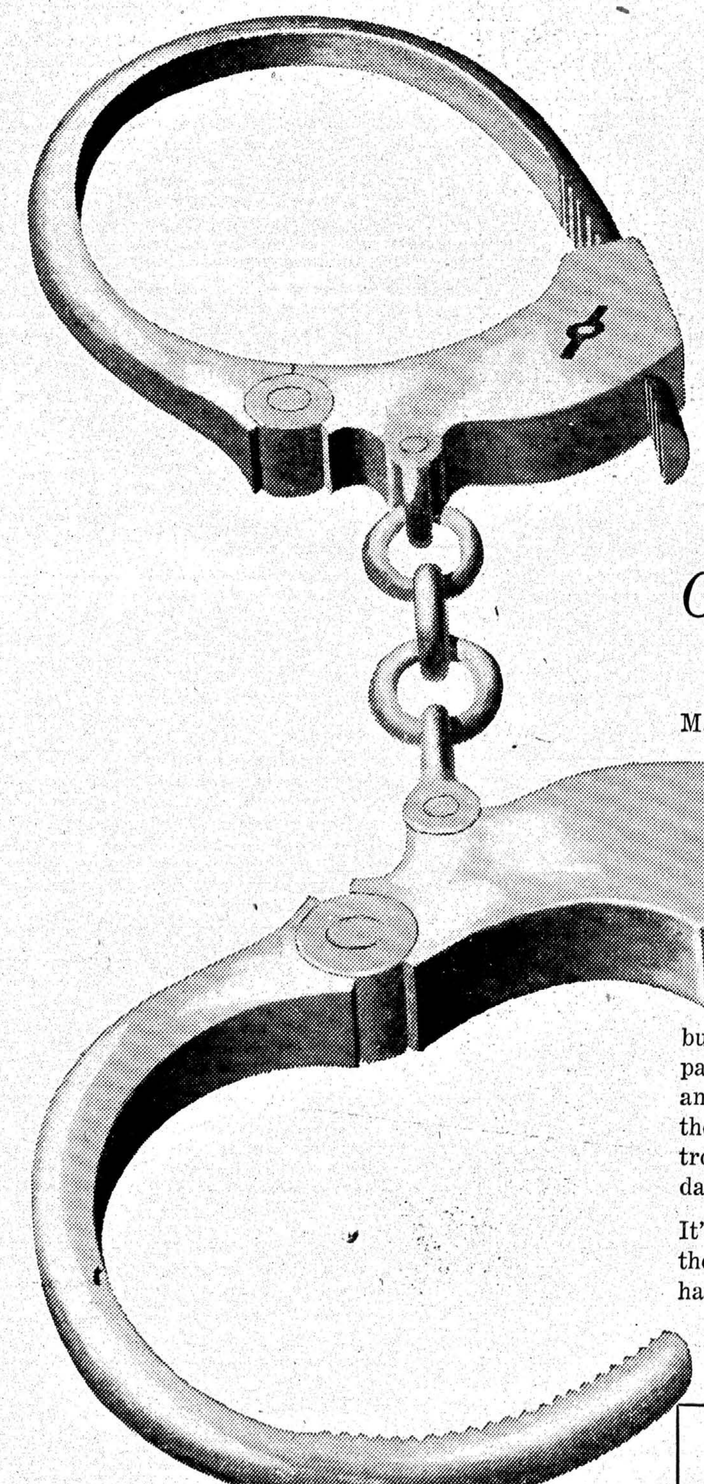
*An address by Commissioner Meistrell before the New York Society of Security Analysts, New York, Nov. 8, 1956.



The Sale I'll Never Forget

By ANDREW L. CHILDS

Vice-President, A. W. Benkert & Co., Inc., New York City

While sounding like a theft from the pages of Horatio Alger, Jr., this tale is true.

In the Fall of 1919, when callow in the ways of life and Wall Street, I had managed to complete my new employer's investment training course with marks considerably lower than *Summa Cum Laude*.

A. L. Childs

Immediately, and with no ceremony, I was launched upon the experimental seas of a bond selling career, the tenure of which was then unknown, but suspect. My superiors had cautiously selected a sphere of operations which widely detoured the sophisticated metropolitan area and placed me in the thriving manufacturing City of Paterson, N. J., on the Erie Railroad. With some misgivings they gave me permission to also call on the banks. In this Elysian bower of brick plants and smoking chimneys many calls were made through the blizzards and slush of a hard Winter. Among prospects visited was a large silk manufacturing company situated about a quarter of a mile beyond the end of the trolley line. The middle-aged, bespectacled Treasurer sat in his shirt sleeves behind a high bookkeeper's desk reflecting not at all a doctorate in finance and economics from the University of Leipzig.

He promptly explained that the company never bought securities, believing more in New Jersey real estate values. But Wall Street's latest gift to Paterson found in the deep waters of this interview more than a modicum of education. During that Winter several more calls were made on the man behind the thick lenses, although the profit motive had now been put aside.

Then one day in May, 1920, a one-cent postal card was received in our office at 49 Wall Street. It read simply, "Please have your Mr. Childs call when convenient." Arriving at the plant as if by jet plane I was met by my friend who spoke to me unbelievably as follows: "Our policy has changed. We have recently liquidated about $1,200,000 of real estate and wish to invest it in good grade bonds. We have looked into your house and since you are the only salesman who has been here in over a year we sent for you."

The pundits at the office did the selecting, of course. The sales-manager was flabbergasted. The partners were incredulous but pleased and I began to think of Paterson, N. J., the way people now think of Fort Knox.

Merrill Lynch Group Offers Public Service Electric & Gas Stock

Public offering of 1,000,000 shares of common stock of Public Service Electric & Gas Co. was made yesterday (Dec. 5) by a nationwide underwriting group headed by Merrill Lynch, Pierce, Fenner & Beane at $31.125 a share.

Net proceeds from the offering, together with proceeds received from the sale on Nov. 21, 1956 of $50,000,000 first and refunding mortgage bonds due 1986, will be added to general funds of Public Service and used for general corporate purposes. Such purposes include the prepayment of bank loans and the payment of part of the cost of the company's current construction program. The bank loans, incurred in 1956, were used for general corporate purposes including payment for a portion of the construction costs.

Estimated cost of the current construction program as of Aug. 31, 1956, was $226,000,000, the largest items of which are the construction of two new electric generating stations. Of the $226,000,000, approximately $42,200,000 has been or will be expended in the last four months of 1956 and about $81,700,000 will be expended in 1957. Gross property additions during the first eight months of 1956 amounted to $77,859,003 and during the period Jan. 1, 1951 to Aug. 31, 1956 they totaled $466,079,814.

The company is currently paying common dividends at the rate of 45 cents a share quarterly, equal to $1.80 a year.

Total operating revenues of Public Service Electric in the 12 months ended Aug. 31, 1956 were $292,788,691 and net income applicable to the common stock was $23,572,250, equal to $2.38 a share on the average number of common shares on which dividends were paid during the period.

Galdi Acquires Membership

Joseph C. Galdi, President of Galdi Securities Corporation. 76 Beaver Street, New York City, announces that the corporation has become an associate member of the American Stock Exchange, clearing through H. Hentz & Co.

Now Amos Treat Co.

All States Securities Dealers, Inc., 79 Wall Street, New York City, announces that the firm name has been changed to Amos Treat & Co. Inc., effective as of Nov. 30, 1956.

Boston Inv. Club To Hear Fisher

BOSTON, Mass.—John B. Fisher, Administrative Assistant to U. S. Senator Leverett Saltonstall, will be the speaker at the Boston Investment Club's Annual Meeting on Thursday, Dec. 13 at the Boston Yacht Club.

Mr. Fisher, a cum laude graduate of Harvard College and a member of Phi Beta Kappa, was a Lieutenant USNR with the Third Fleet Amphibious Force in the South Pacific during World War II. Recently, he organized Joyce & Fisher Associates of Washington, D. C. to represent the interests of New England industry. His talk will be a behind-the-scenes discussion entitled: "The Team Concept of the Eisenhower Administration."

Burroughs Debenture Offer Underwritten By Lehman Group

The Burroughs Corp. is offering to its common stockholders of record on Nov. 30 rights to purchase $30,154,700 of 4½% convertible subordinated debentures due Dec. 1, 1981. The debentures are convertible into common stock at $40 per share. Under the offer Burroughs stockholders have the right to subscribe for the debentures, at 100%, on the basis of $100 principal amount of debentures for each 20 shares of stock held. The offer will expire on Dec. 17, 1956. The offering has been underwritten by a group headed by Lehman Brothers.

Sinking fund provisions of the issue stipulate that the company may optionally retire up to $1,200,000 debentures annually during the years 1961-1965, inclusive. During the years 1966-1980, inclusive, it is required to retire $1,200,000 annually and may, at its option, retire up to an additional $1,200,000 annually.

Of the net proceeds from the sale of the debentures, Burroughs plans to apply $12,000,000 to the partial retirement of short-term bank loans, amounting to $29,000,000 on Nov. 29, incurred during the past year for the purpose of acquiring and constructing additional manufacturing plants, machinery and equipment, for modernization of existing facilities, and for current working capital requirements resulting from the growth of the company's business. The balance of the proceeds from sale of the debentures will be available for additional capital expenditures of a similar nature which the company expects will amount to at least $18,000,000 by the end of 1957.

Burroughs Corp. and its subsidiaries are engaged in the production, distribution and servicing of many models of business machines, including small and medium sized electronic data processing systems, a line of office supplies and accessories, and a line of business forms. In addition, the company has become a supplier of military goods with special emphasis on electronic computers and control apparatus of various kinds.

With Smith, Moore

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Edson B. Cooke has become connected with Smith, Moore & Co., 509 Olive St. Members of the New York and Midwest Stock Exchanges.

With Interstate Secs.

(Special to The Financial Chronicle)

CHARLOTTE, N. C. — George W. Young has jointed the staff of Interstate Securities Corporation, Commercial National Bank Bldg.

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Instalment Credit Developments For Auto and Other Loans

guesswork from any projection. My own judgment, predicated not only on the sorts of variables mentioned above but on several others—the strength of used car sales, the relative smallness of used car inventories and the appeal of new models that 1955 experience has led us to expect, hopefully, to name some—is about as follows:

(1) Since we are still subject to the frontwash of 1955 and a relatively good year in 1956, I doubt whether we could repeat the 1955 record in 1957 even if the model year could open with credit conditions as generally favorable to high sales as in the summer of 1954 and policy thereafter were loose enough to permit, if demand warranted, the rapid expansion of credit which took place in the ensuing nine to 12 months.

(2) Nevertheless, I suspect that under the postulated credit conditions, we wouldn't fall far short of this total. More specifically, if credit were freely available, 1957 domestic car sales might be pushed somewhere between 6.3 and 7 million units.

(3) In fact, I don't think that credit will be easy enough to support such a volume of sales. Even after allowance for the fact that with tighter credit some sales will be made on smaller margins (i.e., with heavier trade-in allowances) and for cash, diverting more money from other goods rather than cutting car sales, something between 6.5 and 6.7 million units strikes me as much more probable.

What does this imply in terms of changes in outstanding credit? From what has been said, it will be clear that my estimate already implies a judgment on this variable; hence to answer the question is not to derive a figure but merely to spell out some of the considerations underlying the projection of demand itself. In doing so, it is best to begin with presentation of the pattern of change during the past ten quarters since this gives one some impression of the effect on repayments implicit in past extensions. Here are the relevant data on a seasonally adjusted basis. (The figures are those just made available by the FRB and reflect the recent revision of its totals.)

	Extension	Repaym't	Change in Outstdgs.
	(Millions of Dollars)		
Second quarter 1954..	$2,843	$2,932	— 89
Third quarter 1954....	2,989	2,955	+ 34
Fourth quarter 1954...	3,277	3,003	+ 274
First quarter 1955....	3,912	3,032	+ 880
Second quarter 1955..	4,175	3,215	+ 960
Third quarter 1955....	4,517	3,352	+1,165
Fourth quarter 1955...	4,239	3,485	+ 754
First quarter 1956....	4,136	3,559	+ 577
Second quarter 1956..	3,767	3,632	+ 135
Third quarter 1956....	3,714	3,628	+ 86

The mass effect is about as follows: The rate of expansion in credit, after having risen rapidly to a feverish annual rate of almost $4.7 billion in third quarter 1955, underwent a sharp although progressively smaller decline during the next year and is now probably close to that prevailing in the summer of 1954. (The whole cycle has been compounded of sharp changes in the rate of extensions superimposed on steady growth in repayments.) I expect this downtrend in rate of growth to be reversed shortly, leading to a total increase in 1957 appreciably larger than that which will have taken place this year. This opinion rests on the following expectations:

(1) Although a somewhat larger proportion of cars will be sold on a cash or cash plus trade-in allowance basis in 1957—first year of the familiar 2-year cycle—than in 1956, a significant absolute increase in credit sales will occur.

(2) Credit extended per car sold on credit should rise but only slightly. Higher prices plus higher interest charges would tend to raise the total, but requirements for higher downpayments seem probable and will work the other way.

(3) Whatever the average amount extended per unit, its rate of repayment is not likely to differ much from that of 1955 and 1956. That is to say, the weighted average duration of loans promises to be much the same.

(4) Repayments will rise too but at a much more moderate rate than extensions, for two reasons: the rising trend in sales, not tempered by a shortening of payoff period; and the runoff of repayments on 1955 sales.

Evidently this mere enumeration of forces at work doesn't automatically yield any specific rates of increase in instalment credit outstanding. As a rough judgment, however, I don't think we'd go far wrong to place the total somewhere between $1.25 billion and $1.70 billion. (These estimates seem consistent with total sales of 6.5 million and 6.7 million. Of course, there are other combinations of the variables which would yield the same net results.) The spread is larger than might appear at first sight, in relation to the spread in number of cars, for the reason that the higher the sales, the greater the percentage thereof that will have to be sold on credit.

Other Consumer Goods

For other consumer goods sold on credit, I look for at least maintenance and more probably moderate stepup in the almost constant rate of growth in seasonally adjusted outstandings which has marked 1956 to date and feel that in 1957 outstandings might rise by between $650 million and $750 million. I believe that the judgments underlying these figures are subject to a considerably larger degree of error than those I gave for autos, but for my purposes this is not so serious since substantial departures of experience from expectations would not affect significantly the over-all trend in total instalment credit outstanding.

Repair and Modernization Loans

In this area again, I see no good reason to expect sharp departure from the experience of the past half-year—a fairly steady growth in seasonally adjusted outstandings. On the one hand, I doubt whether the banks are going to apply the screws so tightly to potential borrowers as to prevent any rise in outstandings, especially in view of the danger that such action would lead to (unwanted) governmental measures designed to lower the dikes. And on the other hand, given that the trend is maintained, I don't believe the authorities would seek to give a shot-in-the-arm to the category of lending within the framework of a tight over-all policy. We shan't go far wrong, I suspect, to place the changes in 1957 somewhere between $150 million and $175 million.

What all the foregoing comes to is a guess that over the next year or so, instalment credit other than personal loans will rise somewhere between $2.05 billion and $2.63 billion as against a (seasonally adjusted) annual rate of increase of around $1.67 billion in the first three quarters of 1956.

Concluding Comment

One concluding comment: Everything I have said about the trend in credit extended to cover purchase of consumer durables assumes implicitly two things: (1) that a variant of Regulation W will not be imposed; and (2) that producers of such items will not attempt successfully to engineer a breakthrough on credit, forcing the authorities to permit greater expansion in the money supply. I believe we can write off the first possibility for 1957. If, however, as the year unfolds the share of additional credit made available to instalment buyers should prove to be a good deal smaller than the projection assumes and auto sales should be running significantly below the rate I have forecast, both the strength of pressure brought by producers and the likelihood that the authorities would yield thereto would increase greatly. So with bars both above and below my range, perhaps my estimate of expansion in instalment credit ex-personal loans has a chance of being close—though in the second case total dollar activity would run somewhat above my projection because of being souped up somewhat by inflation.

Natl. Cash Register Offer Underwritten

The National Cash Register Co. is offering to holders of its outstanding common stock subscription rights to subscribe for $28,170,500 of 4½% convertible subordinated debentures, due Dec. 15, 1981, on the basis of $100 principal amount of debentures for each 25 shares of common stock held of record Dec. 4, 1956. The subscription price is 100%. Subscription warrants expire at 3:30 p.m. (EST) on Dec. 19, 1956. Dillon, Read & Co. Inc. heads an investment banking group which is underwriting the offering.

The offering represents the first public financing by The National Cash Register Co. in 30 years. Proceeds from the sale of the debentures will be used primarily for working capital.

The debentures are convertible into common stock at $54 per share through Dec. 15, 1966 and at higher prices thereafter to maturity. An annual sinking fund, commencing in 1967, will retire approximately 40% of the issue prior to maturity. The company may retire through the sinking fund an additional amount of debentures not exceeding the amount required to be retired in each year. The debentures will be redeemed for the sinking fund at 100% and are redeemable at the option of the company at prices ranging from 105% to and including Dec. 14, 1961 to 100% on and after Dec. 15, 1977.

The company and its subsidiaries are engaged in the production, distribution and servicing of business machines, including cash registers, accounting and bookkeeping machines, adding machines and supplies for these machines. These products are distributed and serviced principally through their own sales and service organizations in the United States and in approximately 95 countries throughout the world.

For the nine months ended Sept. 30, 1956, net sales and other income of the company amounted to $241,126,000 and net income to $12,661,000. This compares with net sales and other income of $213,985,000 and net income of $9,747,000 for the same period of 1955.

Joins Thomson, McKinnon

(Special to The Financial Chronicle)

MILWAUKEE, Wis. — Herman A. Uihlein is now with Thomson & McKinnon, 622 North Water St.

Morgan Stanley Group Offers Mich. Bell Bds.

Morgan Stanley & Co. and 47 associated underwriters yesterday (Dec. 5) offered for public sale a new issue of $30,000,000 Michigan Bell Telephone Co. 35-year 4⅜% debentures, due Dec. 1, 1991, at 102.266% and accrued interest to yield approximately 4.25% to maturity. The issue was awarded to the group at competitive sale on Dec. 4 on its bid of 101.565 which named the 4⅜% coupon.

The bonds will be callable at 106.766 to and including Nov. 30, 1957, and thereafter at prices decreasing to the principal amount on and after Dec. 1, 1986.

The company will apply the proceeds from the sale toward repayment of advances from American Telephone & Telegraph Co., parent organization. These advances were used, among other purposes, for extensions, additions and improvements to the company's telephone plant. The company spent a total of $276,202,000 for new construction during the 5½ years ended June 30, 1956.

Operating in Michigan, the company at June 30, 1956 had 2,475,312 telephones in service of which about 54% were in Detroit and the vicinity and around 24% in other Michigan cities having a population of 50,000 or more. For the six months ended June 30, 1956 total operating revenues were $123,237,280 and total income before income deductions was $14,418,574 compared with $110,173,378 and $14,400,378, respectively, in the same period of 1955. Total 1955 revenues were $229,327,181 and total income $29,577,820.

Joins Ball, Burge

(Special to The Financial Chronicle)

CLEVELAND, Ohio—James H. Moore is with Ball, Burge & Kraus, Union Commerce Building, members of the New York and Midwest Stock Exchanges.

With Atkinson & Co.

(Special to The Financial Chronicle)

PORTLAND, Ore. — Charles N. Covey has become connected with Atkinson and Company, U. S. National Bank Building.

Harrison Co. Adds

(Special to The Financial Chronicle)

CINCINNATI, Ohio — John B. Morlidge has been added to the staff of Harrison & Company, Fifth Third Bank Building, members of the New York and Cincinnati Stock Exchanges.

Westheimer Adds to Staff

(Special to The Financial Chronicle)

CINCINNATI, Ohio — Mrs. Jeanne R. Husman is now with Westheimer and Company, 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

First National City-County Trust Co.

Since the announcement by First National City Bank and County Trust Company that they had applied for the permission of the Federal Reserve Board to set up a bank holding company under the Bank Holding Company Act of 1956 much heat has been generated in the public prints.

Perhaps a few comments may be made, it is hoped with objectivity.

There is the argument advanced that the holding company plan is a means to circumvent New York State law. Just how is it? If the plan were to go through, County, a state chartered bank, would of necessity have to relinquish its state charter and take out a new one under the National Banking Act. As the states have no jurisdiction over national banks anyhow, just how would the circumventing take place. It is true that one bank would have given up its state charter, but of course there are plenty of state-chartered banks around.

The New York Superintendent of Banking is reported to have said that it would bring about a "possible impairment of the dual banking system." It is difficult to see how this would result. We have for generations built up a dual system. Many national banks operate alongside many state banks. Many of the states permit the formation of bank holding companies. New York State itself countenances one of the largest, which has been in operation in company with national banks as neighbors for a number of years.

It has been charged that the new national holding company act will spark a movement of state chartered banks to take out national charters. Might it not merely restore the balance that formerly existed in, at least, New York City between national and state-chartered institutions? In recent years there has in the city been a trend toward state charters when shifts were made. Within the past three or four years three large national banks gave up their charters upon merging with others, two of them merging with state banks which became the survivor institution, and a third with a national bank. (Bankers-Public; Manhattan-Chase; National City-First National.)

Probably it is little realized that of the banks in Greater New York as of September 1956, 11 were nationally chartered (21%), while 41 (79%) operated under New York State charters. Of the large banks in the city (let us say with total resources of $200 million or more), there is one lone bank with a national charter; 12 with state grants to do business, with a 13th crowding $200 million in total assets.

The New York State Superintendent of Banks is quoted as saying that approval of the application could snowball into a "subterfuge designed to evade the supervisory policies of New York State." What is wrong with the national government's supervisory policies? All state chartered banks that boast membership in the Federal Reserve System or the Federal Deposit Insurance Corporation are subject to examination and supervision by those two federal agencies, and this state of affairs has been accepted for many years with no complaint.

Organization of holding companies for bank stocks could upset the portfolios of a number of New England savings banks and trust companies. Generally, the six New England states have bank stocks on their legal lists for savings banks and trust companies. Several confine the eligible bank stocks to their own borders and to New York City; others have broadened their lists in recent years. And, while one, New Hampshire, has admitted some open-end investment trust stocks to their eligible list, bank holding company stocks seem to be outside the pale.

Therefore, if an eligible bank stock is taken over by a holding company the bank stock would be surrendered and the stock of the holding company could not be substituted. As in many New England banks, bank shares have become an important portfolio component, it is not difficult to vizualize the upset to these portfolios.

It is, of course, possible that the wide discussion on this bank holding company act is academic, for there appears to be sufficient opposition to make its fruition questionable.

Joins L. M. Ladet

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John W. MacKusick has joined the staff of L. M. Ladet Co., First National Bank Building. He was formerly with Birkenmayer & Co.

Farwell Chapman Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—William E. Miller has been added to the staff of Farwell, Chapman & Co., 208 South La Salle Street, members of the New York and Midwest Stock Exchanges.

With Rodman Renshaw

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Sheldon M. Gordon has become affiliated with Rodman & Renshaw, 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Joins Dean Witter

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—George R. Field is now with Dean Witter & Co., 105 South La Salle Street.

Continued from page 4

Promoting World Trade

the obvious—hardly necessary before an audience as erudite on the subject as this one.

This Administration has endeavored constantly to promote world trade. Legislatively the means for doing so has been provided by the last extension of the Reciprocal Trade Agreements Act which, after lengthy and tumultuous debate, was passed in 1955.

Change in Thinking in Some Areas

Since its original passage in 1934, there has been a significant change in respect to the thinking regarding this approach to world trade.

In 1934 the division of thinking fell along strictly partisan lines. Today there are both strong proponents and outspoken opponents in both parties.

The extent of the change in thinking may best be illustrated by examining the recent attitude of the traditionally free trade Democratic states in the South. In Georgia, for example, in the 1955 vote we saw a state which, because in recent years it has become industrialized, cast 8 of its 10 votes in the House to recommit the bill. Similar shifts were evident in the votes cast by Virginia, North Carolina, South Carolina and Alabama.

Federal Aid to Agriculture and Shipping

It is interesting to note that whereas there are violent differences of opinion on tariff matters relating to manufactured goods, we have a settled policy involving almost iron clad protection for some segments of our economy. By way of example let me point to agriculture and shipping.

Both by legislation and by treaty, special tariffs, quotas and tariff quotas are permitted in the field of agriculture.

The President is authorized to impose quotas or fees if he finds the agricultural program in jeopardy. The specifications of competitive products from abroad are carefully limited. Certain agricultural products are subject to special import or processing taxes. Furthermore, the agriculture of this country is promoted in many products by a subsidization program.

In shipping we recognize the inequality in the wage cost and apply what is known as an operating differential subsidy. Subsidies are also made for repair, maintenance, and construction, and no foreign ships are permitted to operate in the U. S. coastwise trade.

With respect to the relationship between the foreign and the U. S. payrolls this is the effect of what happens. Suppose the payroll on a U. S. vessel averages—as it does — between four and five times that of a foreign vessel plying the same route. In this instance the Government reimburses the American operator for the full difference in his wage cost.

Of course, this procedure is supported because we all recognize the highly important defense aspects of the merchant marine. But I wish to say in passing that military strategists have never failed to recognize the essential contribution made to victory by American manufacturers.

Although I do not and would not recommend that the Government reimburse industry on any such basis, I can appreciate the point of view of some of my manufacturing friends that there are elements of an analogy here.

Commerce Department Trade Promotion

Before I describe additional problems, which we all seek to solve, let me briefly discuss the future, based on our desire for trade and the responsibility of the Secretary of Commerce to develop trade.

First, a few comments on current activities of the Commerce Department tending to build trade.

The Department has inaugurated programs for the stimulation of international travel, for participation by the U. S. in international trade fairs, for the creation of trade missions to visit countries of the world and the development of international investment opportunities.

We have developed a personnel agreement with the Department of State which should result in a strengthening of the Foreign Service and in its applicability to the business community.

We have expanded the work we are doing in market research and in trade promotion.

I believe there is also an opportunity for industry to participate wisely and effectively in developing world trade by maintaining the best possible representation abroad and by keeping the Government informed of its activities. Where industry tells Government of its activities, the Government is in a better position to point out to industry its opportunities.

President's Views On Trade

In a special message to Congress on the recommendations of the Randall Commission, the President used these words: "For every country in the free world, economic strength is dependent upon high levels of economic activity internally and high levels of international trade. . . . Nations must buy from other nations, and in order to pay for what they buy they must sell."

Later, in the consideration of the legislation—HR-1—the President wrote Minority Leader Martin and used these words: "This program, therefore, must be and will be, administered to the benefit of the Nation's economic strength and not to its detriment. No American industry will be placed in jeopardy by the administration of this measure."

These two stated approaches to the general problem may seem to lead to contrary objectives, but I think not, provided only that the free-trader and the protectionist indicate a willingness to give and take and to jointly work toward the goal of increased trade between this nation and the Free World.

Advice to Foreign Traders

I have said that trade is good but it must be on a sound basis. Those abroad from whom we buy will succeed best when they devote their efforts to developing new markets instead of seeking to displace markets already in existence. Do we want the foreigner in our market because he pays his labor anywhere from ½ to 1/10th what we pay ours, or because he has a good product—maybe styled and designed better than ours—maybe sold better than ours?

The manufacturer abroad who has to face these problems and answer these questions will be well advised, it seems to me, if he adheres to a policy—of which the reciprocal trade program is a part—aimed at raising the standard of living of all the free nations. As the difference between our standard of living and that of other nations is reduced, international competition obviously will develop so that it can be conducted on a basis in which no country would have an unfair economic advantage.

Supposing a foreign competitor walks in and takes over all or substantially all of the market for a particular product. Well, if one company did that in this country, the Department of Justice would walk into this kind of a picture pretty fast.

Why? Because competition, which is the life-blood of our economic system, would be eliminated. How much worse off would we be were such a situation to evolve not from the activities of one company in this country, but from the activities of a group of companies abroad operating under cartel and other systems which we do not tolerate in this country?

Certain Industries Face Severe Competition

Where do we stand today on trade with the free nations? We celebrate the 22nd anniversary of the Reciprocal Trade Agreement procedures. Consider for a moment the sequence of events since the Reciprocal Trade Agreements Act was passed. First, a five year period of development of this procedure in the midst of increasing tensions, followed by a six-year period of war, followed again by a period of reconstruction, followed once more by the Korean War and now for several years a general peace with the increasing development of normal trade for the first time in the whole 20-year period.

This normal development of trade under the Reciprocal Trade Agreement program is bringing forth severe competition in certain industries. To illustrate the extent of the problems faced by some of our manufacturers, let me bring to your attention some examples of what has been happening in the last few years.

Between 1950 and 1955 the imports of bicycles rose from 70,000 units to 1,200,000—an increase of 1,130,000 units. During this period production in this country fell from two million to barely over 1½ million.

In the cordage field imports nearly trebled in volume while domestic shipments fell about 20% and in all but one line the foreigner today has over 50% of the business.

U. S. manufacturers' shipments of sewing machines have dropped severely since 1950 while imports more than doubled between 1950 and 1955.

In the field of textiles and apparel we have seen the situation become so acute that in certain segments of that industry imports have risen to a point exceeding the domestic production.

Again let me emphasize that the underlying reason behind the loss in competitive position in these industries has been due almost entirely to a matter of price.

To Urge OTC Membership Again

Looking to the future I firmly believe that as our foreign trade develops, the countries overseas will develop a better understanding of and a gradual acceptance of some of the basic facts of life which, if adhered to, will build trade between the nations on a sound and enduring basis. The vehicle presently established by which this may best be accomplished is the General Agreement on Tariffs and Trade, whose objectives are:

(a) Non-discriminatory treatment of both imports and exports by member nations.

(b) Elimination of non-tariff barriers.

(c) Gradual reduction of tariffs wherever possible and practical.

It is still my conviction that this country and the world can achieve that maximum progress toward these objectives through membership in the Organization for Trade Cooperation—known as OTC. In the last session of Congress the bill providing for this membership failed to pass. It is my judgment that it failed to receive consideration on the floor of either House because the opposition wanted to kill GATT.

We shall reintroduce next year

the bill providing for U. S. membership in the OTC, and I earnestly hope that this time many more Congressmen in both parties will see its value.

Warns That Moderation Must Prevail

We come finally to our domestic share in this great problem of building world trade, which we say is good. But I say to you, who have such a great interest in this area of activity, that unless moderation prevails and extremes are avoided, surely the goose that lays the golden eggs will be done away with. And this is neither surprising nor original because in every phase of life that I know anything about, moderation is the desirable ingredient.

You recall that some years ago the American people were told they could not drink. That experiment lasted about 15 years.

The Randall Commission gave more than lip service to moderation when it said, and I quote, "Where changes are required they must be embarked upon gradually, with every precaution possible taken to avoid dislocations in our present systems of production, and distress to individual citizens."

And later, the President, in the message mentioned earlier, says, "The program that I am here recommending is moderate, gradual, and reciprocal. . . . A moderate program . . . can add immeasurably to the security and well-being of the United States and the rest of the free world."

Extreme Positions Will Injure Trade Programs

I have already pointed out that in my judgment if from either point of view an extreme approach is invoked, it will do our foreign trade program no good. Now let me bring to your attention one very important fact of life too often forgotten.

Bernard Baruch sometime since said that a tariff discussion usually depends upon whose ox is gored. I say to you categorically that if a Congressman has a particular company or industry in his district which is laid flat on its back by foreign competition, that Congressman will vote to do something about it or he won't be back in Congress to vote at all. Believe me, this is quite true irrespective of which party he belongs to. The voting record in Congress already cited must indicate that this whole subject is not only rapidly becoming of bipartisan interest but that Congressional views change as conditions in the particular locality change.

And in case you may think that the particular Congressman to whom I refer is a lone voice in the wilderness, I, who have sat in a legislative body, would remind you that this particular member representing an industrial district in trouble will talk with his colleague representing an agricultural district or a mining district. They have their problems too and you may have heard the phrase, "You scratch my back and I'll scratch yours."

Must Avoid Extremes

I should be an optimist indeed were I to consider my brief remarks as capable of making much of a dent in an age-old controversy, but I will now do a little guessing and say to you that unless we do approach this great problem on a sound, constructive and moderate basis, avoiding the two extremes, you and I could be disappointed by the results.

For example: You might witness the failure to renew in 1958 the Reciprocal Trade Agreement procedures. Legislative quotas which would distinctly mark a backward step in trade relations may appear on the scene . . . and the sound approach to foreign trade which I have suggested will certainly vanish in thin air.

Foresees Great Benefits From Trade

If, on the other hand, we and our trading partners avoid extremes and properly promote two-way trade, I foresee expanding business and employment in foreign commerce—the flow of attractive goods to American customers — increasing economic strength in free nations—stronger bonds of international friendship and a continuing contribution to lasting world peace.

I am addressing my remarks to the American exporter of manufactured products who ships abroad in the aggregate three times the amount of manufactured products we bring in here, and I am addressing my remarks to the foreign producer who wants and is entitled to a share in our market, and I am finally addressing my remarks to all who believe in trade and want to see it grow on this sound basis I have attempted to describe.

Joins Carroll Staff

(Special to The Financial Chronicle)

DENVER, Colo. — Henry K. Imada is now with Carroll & Co., Denver Club Building.

With Coughlin Co.

(Special to The Financial Chronicle)

DENVER, Colo. — Norbert J. Samborski is now with Coughlin and Company, Security Building.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. headed a group of underwriters which yesterday (Dec. 5) offered $2,805,000 of Erie Railroad 4¼% serial equipment trust certificates, maturing annually Jan. 1, 1958 to 1972, inclusive.

The certificates are scaled to yield from 4% to 4.25%, according to maturity. Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by 500 50-ton capacity box cars estimated to cost $3,625,000.

Participating in the offering are —Dick & Merle-Smith; R. W. Pressprich & Co.; Freeman & Co.; Gregory & Sons; Ira Haupt & Co.; The Illinois Co. Inc.; McMaster Hutchinson & Co.; Wm. E. Pollock & Co., Inc.; and Shearson, Hammill & Co.

Two With Intermountain

(Special to The Financial Chronicle)

DENVER, Colo.—Mary V. Kirby and James P. Solan have joined the staff of Intermountain Securities, Inc., 309 Columbine Street.

With Bosworth, Sullivan

(Special to The Financial Chronicle)

DENVER, Colo.—Paul B. Casterline is now affiliated with Bosworth, Sullivan & Company, Inc., 660 Seventeenth Street.

R. R. Wilson Joins Schwamm & Co.

Raymond R. Wilson

Raymond R. Wilson is now associated with Schwamm & Co., 50 Broadway, New York City. He was formerly Manager of the municipal department of Van Alstyne, Noel & Co. and prior thereto was with Union Securities Corporation.

Four Join Staff of Spencer Trask & Co.

Spencer Trask & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, announced that Fred H. Jorgensen, Charles E. Haydock, Jr., Henry B. Bjorkman and Nathan Heilbronner are now associated with the firm. They were formerly with Haydock, Schreiber Mitchel & Watts.

With Bache & Co.

(Special to The Financial Chronicle)

CINCINNATI, Ohio — Elmer E. Cook has joined the staff of Bache & Co., Dixie Terminal Building. He was formerly with John W. Reinhart & Co. and Central Trust Company.

Ball, Burge Adds

(Special to The Financial Chronicle)

MANSFIELD, Ohio — Clarence C. Luft has become affiliated with Ball, Burge & Kraus, 40 West Third St. In the past he was local manager of Vercoe & Co.

With Bache & Co.

(Special to The Financial Chronicle)

MILWAUKEE, Wis. — Carl R. Raymore is now connected with Bache & Co., 229 East Wisconsin Avenue. He was formerly with Lewis D. Thill and The Marshall Company.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The long Government bond market is backing and filling in a very professional manner, not too far away from the lows of the year. Although there has been a rather modest buying interest in certain selected issues of Treasuries, especially in some of the intermediate-term obligations, there are no definite indications yet that a bottom has been made in Government securities. The more favorable yields which are available in corporate and tax-exempt bonds continue to take the play away from Government issues. This is likely to continue to be the situation for the foreseeable future. The boost in the FHA rate from 4½% to 5% was expected, and brings it in line with current money market conditions.

The purchases of Treasury bills by the Federal Reserve Banks, as well as by others, has taken the yield of these securities down to levels that seem to indicate there will be no increase in the discount rate, because of the return on the shortest Treasury obligation being well above the Central Bank rate.

Less Tension in Money Market

The fact that the discount rate has not been raised, due largely to the sizable purchases of Treasury bills by the Federal Reserve Banks, has tended to take part of the extreme tension away from the money market. To be sure there is no let-up in the restrictive policies of the monetary authorities and no immediate change is looked for in the very tight money and credit conditions which have been prevailing. This means that the market action of fixed income bearing obligations is as uncertain as ever, with those who have funds available for such investments still very much in the driver's seat. Corporate and tax-exempt issues continue to be more attractive than Governments to most buyers of bonds because of the more favorable yields which are available in the former securities.

Current Market Transactions

As far as Government obligations are concerned, there has not been any reported changes in the over-all demand for them, even though selected maturities are beginning to attract a modest amount of buying here and there. It is indicated that some of the tax switches which have been made recently have resulted in slightly larger commitments being made (on the buy side), than were disposed of. It is reported that certain of the intermediate term issues, such as the 1961 maturities as well as the 1964/69s, have been attracting funds which have come out of the longest term marketable obligations and savings bonds.

On the other hand, there are indications that public funds are continuing to make purchases of the most distant Treasury bonds as quotations have declined. Also, reports have been current that Government agencies have been buyers of the longer-term Treasury issues in times of price weakness. These commitments by public funds have not been too large, as far as can be determined, but they have been important enough to give a certain amount of support to a market which is very thin and at times rather thoroughly disorganized.

International Situation May Change Credit Policy

The demand for loans, and the indicated future needs for money and credit for capital purposes, does not augur very well for any change in the tight money conditions unless there is some modification of the policies of the monetary authorities. To be sure, with the demand for credit as great as it appears to be, there should be no alterations in the restraint of credit.

However, the complicated international situation might have an influence on the future trend of interest rates as well as the credit picture. It is the opinion of some money market specialists that the immediate inflationary effects of the uncertainties in the Middle East could give way in the course of time to deflationary ones, which could have a very important bearing on the economy here. If this should be the case, it is not likely that the very restrictive policies of the powers that be, would be further tightened. On the contrary, it might bring about some loosening in credit in our country, which would not be unfavorable to fixed income bearing obligations.

Stock Market's Course Watched

The stock market continues to be watched by money market followers because of its psychological influence on the people. A continuation of the decline in the equity market would take a considerable amount of the inflationary pressure off the money market, because there might be a lessening in the demand for the goods and services which have been responsible for the borrowings by individuals, corporations and tax-exempt entities. A decrease in loans and other forms of borrowings would make money available for the bond market.

Two With Bieder Co.

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Wade Hampton Jewett and Robert J. Shave have joined the staff of Bieder & Company, 3006 Central Avenue.

With R. F. Campeau

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—James J. Donlan has become associated with R. F. Campeau & Co., 110 Second Avenue. He was formerly with Bache & Co. and McCleary & Co., Inc.

Two With A. M. Kidder

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla. — Joseph O. Blackman and Thomas H. James are now connected with A. M. Kidder & Co., 400 Beach Drive North.

With Jay W. Kaufmann

(Special to The Financial Chronicle)

BOSTON, Mass. — Emily A. Stewart is now with Jay W. Kaufmann & Co., Hotel Touraine. Miss Stewart was previously with du Pont, Homsey & Company.

Continued from page 9

Research in Business

yard. With this information the company expected to make recommendations for improved operation of the classification yard through procedural changes and isolate and evaluate those areas where the development of new equipment could contribute to yard operation. With a better understanding of railroad yard operation, the company was certain it could better develop new equipment products.

Another OR tool has the fancy name of "Operational Gaming." United Airlines, for instance, used this in preparing for jet transport operations. The OR men flew daily schedules on paper instead of in the air in their study determining operational problems created by such factors as weather and general flight patterns.

Other Project Examples

A recent issue of "Operations Research Digest" is testimony to the fact that OR is solving problems for large as well as small corporations. Featured is an article detailing how ALCOA by installing a ticker tape system cut order processing time from one week to half a day. Though the complete installation took years to effect, it now reduces typing time on master orders by 40%, cuts order errors by one-third with subsequent savings in waste material and returned goods. Paper work in circulation diminished, resulting in filing and reading savings. Within six months after installation about 50 less typists were needed in the sales office although sales volume increased. The new communication system is also used for sending messages other than orders such as technical data, cost figures, etc. It prepared the way for ALCOA's automation of accounting, production planning, inventory control and market analysis.

The same issue tells how Seabrook Farms, by using OR, developed a climatic calendar thus reducing labor costs fully 60% by correctly learning when to harvest, pack, freeze and wrap its frozen food product. Other OR research projects mentioned in this single issue were done for such companies as: Esso Development, M. A. Hanna, Lockheed, Commercial Solvents, Warner Swasey, International Minerals & Chemicals, Celanese Corp., Mergenthaler Linotype, Bamberger's, Macy's Atlantic Refining, Chesapeake & Ohio Railroad, Johns Manville, Curtis Publishing Co., Port Authority of New York, U. S. Commerce Dept., H. J. Heinz, British Overseas Airlines, Westinghouse Electric and the Bonneville Power Administration. They included research projects related to production, sales and distribution, personnel and clerical as well as transportation scheduling.

Motivational Research

Though OR is new and dramatic and mysterious, it is by no means the only research tool business is using. Creating a stir, a controversial stir, particularly in the consumer goods field is "Motivation Research," a psychological—with emphasis on Freud—sociological probe, sometimes even practiced by cultural anthropologists, into why people buy the things they do. It is also being used by public relations and industrial relations men studying employees or the public's attitude toward a particular company. It aims at determining the "real" reason people buy or think the things they do, instead of reporting the reasons they give for so doing.

"Fortune" Magazine reports that of the $260 billion spent on consumer products last year, a full half probably went to industries in which one or more major manufacturers had tried MR. They point out that of the close-to-$9 billion spent on advertising in 1955, nearly $1 billion came from those big corporations that have used MR directly or through their advertising agencies. These include General Motors, General Electric, AT&T, Goodyear, Procter & Gamble, General Foods and Chrysler.

MR seems to be particularly effective in markets where the consumer has a choice of products that are nearly the same in quality, performance and price such as cigarettes, soap, gasoline, beverages and food products. For instance, MR has completely changed the advertising pitch of Marlboro Cigarettes. Formerly with its dainty white package it was considered for the ladies only. On the basis that men smokers outnumber women two to one, the package was redesigned a bold red and ads now picture tattooed muscular men enjoying this Philip Morris product.

Similarly the ad direction on Ry-Crisp crackers was altered to appeal to a cocktail crowd and no longer is slanted at stout people. The thinking here is that the stout people are realistic enough to appreciate that they never could achieve the sylph-like figures in the former ads. In both these instances, markets have been vastly increased.

Realizing that coffee lovers resent any aspersions to their favorite drink, General Foods, after MR consultancy, changed its Sanka campaign to the theme of you can drink as much coffee as you want without losing any sleep, rather than perpetuate the old jingle about jangled nerves!

Of course, MR, new on the research horizon, raises a host of problems, not the least of which is a fear that advertising will be stereotyped and much of its effectiveness lost, yet it cannot be ignored since it is one more of the new tools that executives are coming to depend upon.

Electronic Computers

Generating an important area of research are the host of newly developed electronic computers. They promise so much, yet their cost is great and executives are gradually coming to understand that these machines are only as good as the brains that direct their work. They recognize too, that the real problem, once the decision has been made to install an electronic computer is how to use it properly, not just to swamp an organization with mountains of statistics. So there are two steps of research involved here. First, can an electronic computer serve our purposes. This is the feasibility survey, and if so which of the several types available is best for a specific company. And, second, how best to put this computer to work. For instance, one of the medium-sized insurance companies, before installing their "brain," decided that they could consider the machine a help and a savings only if it could perform five highly important functions to the 400,000 policies, the billion dollars of insurance the company had in force. If it could accomplish additional tasks, well and good. They did not demand the impossible but instead confined their scope of research to the costly, repetitive yet important functions of their business and they met with success.

The round robin of research that is demanded by the use of these mammoth computers includes the development and utilization of new forms of management data that they are able to create. In some instances they have provoked problems which have had to be overcome by centralizing the data processing operations of a decentralized company. They have had an impact on personnel by eliminating many hitherto important clerical tasks and have given rise to new research on job evaluation and salaries. On the other hand they have turned into new research tools in themselves for work on such problems as minimizing the total cost of production which may depend upon one or more of such factors as the cost of making the product, storing it, purchasing the needed components or raw materials, the cost of distributing it or the cost of overtime and/or of training new workers.

Increased Volume and Profits Decline

Many executives are finding that the once old adage that higher profit margins inevitably follows higher volume no longer holds true. Rapid industrial expansion has greatly increased the clerical load and much of this, it is realized, stems from corporate red tape. Much research currently is directed at reducing paper work—and the red tape. For example, Monsanto Chemical has substituted a pilot plant for a rather expansive microfilming operation and thereby saved almost $250,000. Now at Monsanto, retention periods for the transfer and disposal of records in order to cut record-keeping costs to a minimum have been set.

Owens Illinois Glass Company is measuring office costs by means of predetermined time standards, stop-watch measurements and estimated time values for all paper work required for production of a single product in eight branch plants. The results have freed workers for other tasks, eliminated increased hiring.

A review of all paper forms used in General Electric's metallurgical products department reduced internal printing costs in that segment of G. E.'s over-all operation by 20%. This forms control program was aimed at eliminating unnecessary and duplicate forms, designing needed forms so that data could be transmitted and reported uniformly, making the production and distribution of forms as economical as possible and insuring periodic review of old forms and study of new and revised forms.

The pressure of rising costs is forcing many companies to research their product mix in order to decide where their highest profit margin lines are and thus to concentrate on this portion of their output. One way that has been found to effect this is through product "upgrading" with increased emphasis on consumer items and branded Specialties relative to raw materials and semi-finished products where because of constantly fluctuating commodity prices, margins are considered vulnerable. Another is through weeding out those items incapable of carrying their own weight cost-wise. In this act are such big companies as Corn Products Refining, Kendall and U. S. Plywood Corp.

Research Is Coping With Tax Problems

Without any doubt the most involved area of research in business currently is how to lick that tax problem. When you think of it, taxation is taking a bigger bite than corporate profits these days. Lawyers and accountants are having a heyday and businessmen keep reminding themselves of the learned words of Judge Learned Hand: "Anyone can arrange his affairs so that his taxes will be as low as possible."

Yes, the Government may have ruled against companies buying a defunct corporate shell in the name of diversification so that they might claim tax losses, but this does not mean that the corporate shell gimmick is yet exhausted; instead, it continues with new and fancier juggling of balance sheets. The Internal Revenue Act of 1954 was a milestone. Ever since, business advisory organizations have found that selling tax services pays off better than their wildest dreams would have led them believe and thus are scientifically approaching the refinements of tax planning. There is no telling today how many innocent projects, started as expenses to be incurred for tax purposes, are now thriving new products or new companies.

The tax angle is one also that is being studied in connection with the search of how to hold executives. Virtually one-third of today's business executives, reportedly, are in brackets where salary increases are meaningless. Just the other day the president of a fair-sized company wistfully confided how grateful he would be if the company gave him a car rather than voting him another raise. Chances are he'll get the raise instead and then, just to make it look as though the company is worried about his blood pressure, they may send him off big game hunting in Africa, to help their tax figures. While he is away, his confreres may set themselves to studying the host of newly developed deferred compensation plans being peddled. The advantage here is that the deferred payment will not be taxed as income until actually received and possibly upon receipt will be taxed at a lower rate if the recipient is no longer earning his full salary and thus is in a lower tax bracket. Research is being done on how to offer executive employees insurance, the proceeds of which would be tax-free to their estates. Stock option plans for executives, including some with warrants that can be exercised when the executive so desires, are now in full force.

Also as part of the tax picture, smaller employees are sharing each year in more fringe benefits such as interest free loans, low cost insurance and medical care, recreational, educational and pension programs. This in turn is having an effect on what the employee is asking of his employer not only with an eye to take-home pay but is causing him to figure how much his real income can be upped by magical fringe benefits that are tax-free to him as well as to his employer.

Research on the executive front, as you well can see, is hardly a static affair. Each year brings new problems and the business of creating the tools to solve them is indeed becoming a big business in itself.

Keller Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Thomas H. Freeman is now with Keller & Co., 53 State Street.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Alan H. Temple, Executive Vice-President of **The First National City Bank of New York,** was appointed a member of the Board of Directors on Dec. 4 upon the retirement of Sosthenes Behn, Honorary Chairman of the International Telephone and Telegraph Corp. Mr. Behn was the bank's senior director in years of service, having served on the board since 1925. Mr. Temple is the senior officer in charge of the bank's Economic Department and the Monthly "Letter on Business and Economic Conditions." He also has supervision of the bank's public relations activities. Mr. Temple joined the bank in 1931. He became a Vice-President of National City in 1941 and an Executive Vice-President in 1952. He is a Trustee of Atlantic Mutual Insurance Co., the American Academy of Political Science and the Committee for Economic Development; a Director of Prudential Insurance Co. of Great Britain, Seaboard Surety Co., the Hudson Insurance Co. of New York and the Centennial Insurance Co.

Alan H. Temple

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New Vice-Presidents of **The Bank of New York** announced on Dec. 4 by Albert C. Simmonds, Jr., President, are Elliott Averett, Banking Department; Charles H. Fritscher, Credit Department and Clifford P. Kingsley, Investment Department. Promoted to Assistant Vice-Presidents were William K. B. Middendorf and Richard B. Tuttle, Jr., Banking Department. William J. Beer was promoted to Trust Officer. Appointed as Assistant Secretaries were Olga M. Bendix, George E. Garvin and Joseph L. Lalla. Leigh C. Rhett was appointed Assistant Trust Officer.

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At a meeting of the Board of Directors of **The New York Trust Company, at 100 Broadway, New York,** held on Dec. 4, a quarterly dividend of 81¼ cents per share on the capital stock of the company was declared payable Jan. 2, to stockholders of record at the close of business Dec. 14. This is an increase of 6¼ cents per share over the quarterly dividend of 75 cents per share declared for each of the previous quarters of the current year. At the same meeting the directors also declared an extra dividend of 25 cents per share on the capital stock of the company payable Dec. 20, to stockholders of record at the close of business Dec. 14.

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Patrick J. James and James J. O'Brien have been appointed Vice-Presidents in the trust department of the **Chase Manhattan Bank of New York,** it was announced over the last weekend by J. Stewart Baker, President. Previously Assistant Vice-Presidents, both are in the personal trust division. Also in the trust department, Delevan P. DeLong, Robert B. Miller, Jr., and James W. North were appointed Personal Trust Officers. Donald F. Eggleston was appointed Estate Planning Officer.

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The New York Agency of the **Standard Bank of South Africa Ltd.,** announced on Nov. 29 receipt of the following cablegram from its head office in **London:**

"The directors of The Standard Bank of South Africa Ltd., have resolved to pay to shareholders an interim dividend payable in British Currency of one Shilling per share subject to income tax at the United Kingdom standard rate of eight Shillings and six Pence in the Pound. Warrants will be posted on 25th January next. At the 30th September last the bank's investments stood in the books at less than market value on that date and all usual and necessary provisions have been made. Transfer books will be closed from 2nd to 15th January 1957, both dates inclusive."

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Incident to the plans to increase the capital of the **Long Island Trust Company of Garden City, L. I., N. Y.,** the stockholders voted at a special meeting on Nov. 27 to approve a stock dividend of 2%, a ratio of one new share for each 50 shares held, payable on Dec. 26 to holders of record Nov. 30. In addition to the stock dividend of 2,240 shares, approval was also given to increase the capital stock through the sale of 14,000 additional shares of $10 par value, for $32 each to holders of record Nov. 16, on a pro rata basis of one new share for each eight shares held. Frederick Hainfeld, Jr., President, explained that the effect of the action will be to raise the bank's capital stock from $1,120,000 consisting of 112,000 shares of $10 par value each, to 128,240 shares totaling $1,282,400. An item bearing on the additional stock issue, appeared in these columns Nov. 29, page 2307.

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A stock dividend of $70,000, which became effective Oct. 26, has served to increase the capital of the **Central National Bank of Canajoharie, N. Y.,** from $700,000 to $770,000.

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Consolidation of the **First National Bank of Concord, N. H.,** with common stock of $150,000 and the **National State Capital Bank of Concord,** with common stock of $250,000, became effective on Nov. 9, under the charter of the **First National Bank of Concord,** and under the title of the **Concord National Bank.** The enlarged consolidated bank will have a capital stock of $450,000 in 45,000 shares of common stock, par value $10 each; surplus of $1,250,000 and undivided profits of not less than $484,259.

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The **Home National Bank & Trust Co. of Meriden Conn.,** announces the death of Evarts Chapman Stevens, Sr., Vice-President of the bank on Nov. 9.

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Acquisition by merger of **Citizens National Bank & Trust Company of Caldwell, N. J.,** by **National State Bank of Newark, N. J.,** was approved on Nov. 29 by the Newark bank's board of directors, it was announced by Howard W. Apgar, Citizens National President and W. Paul Stillman, President of National State. The Caldwell bank's directors likewise approved the plan. The merger, extending National State's branch system to 18 offices in five communities, was deemed "most advantageous to Caldwell's interest" by Warren A. Norris, a Caldwell director and Chairman of that bank's committee conducting the negotiations. As has been the policy throughout National State's expansion program, all officers and personnel of the Caldwell bank will be retained. The merger, subject to ratification by the shareholders of both banks, will be achieved through an exchange of shares, with Caldwell stockholders receiving two shares of National State stock, plus $10 in cash, for each share of Citizens National. There are 10,000 shares of the Caldwell bank stock outstanding, and its assets are $11,000,000. The merger also requires the approval of the Comptroller of the Currency. Earlier this year, National State absorbed the former **Irvington Trust Company,** with over $15,000,000 resources, and in July acquired the **First National Bank of Millburn,** of similar size. National State is 144 years old; Citizens National was founded in 1909.

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The proposed consolidation of the **Second National Bank of Somerville, N. J.,** and the **First National Bank of Bound Brook, N. J.,** under the title of the **First National Bank of Somerset County,** was approved by the stockholders of the two banks on Nov. 19, according to the "Newark Evening News" of Nov. 20. The paper quoted states that the new bank will have total assets of $29,901,896 — representing resources of $19,252,186 reported by the First National Bank of Bound Brook on July 16 last and Second National's assets of $10,649,709 on the same date. The capital of the new bank, it is added, will be $762,500, composed of 30,500 shares of common stock with a par of $25 a share. The Newark paper continues: "The vote on consolidation took place at separate meetings for stockholders of each bank. Almost 90% of the stockholders votes were cast by proxy and more than 90% were in favor of consolidation."

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Plans for a 5% stock dividend and a 2½-for-1 stock split, proposed by the directors of the **National Bank of New Jersey,** at **New Brunswick, N. J.,** are to be acted upon at the annual meeting of the stockholders of the bank on Jan. 8, it has been made known by Samuel L. Allen, President of the bank, it is learned from the "Newark Evening News." From the account in the paper indicated we quote:

"The bank now has outstanding 40,000 shares of $25 par value each, and the 2½-for-1 stock split will mean their replacement by 100,000 shares of $10 par value, Mr. Allen said. The stock dividend will add another 5,000 shares to bring the total to 105,000. It will be payable Feb. 5 to shareholders of record the day of the meeting.

"The bank's new capital structure will total nearly $3 million dollars, made up of $1,050,000 in capital stock, $1,500,000 in surplus and $400,000 in undivided profits."

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Proposed consolidation of two **Freehold, N. J.,** banks, have, it is said, received preliminary approval from the U. S. Comptroller of the Currency, and the stockholders of the respective banks are to act on the proposal on Dec. 21. The two banks, according to the "Newark Evening News" are the **First National Bank of Freehold** and the **Central National Bank of Freehold,** and it is indicated that the merger will be effected under the name of the **First National Bank.**

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Directors of The **Philadelphia National Bank of Philadelphia, Pa.** voted on Dec. 4 to recommend to shareholders at the bank's Annual Meeting on Jan. 15 that stock of the bank be split on a three-for-one basis. At the same time, there will be other proposals which will have the effect of increasing Philadelphia National's capital position to $75,000,000, giving the bank a lending limit of $7,500,000 to any one borrower. Under the plan it was stated that on or before Feb. 18 two additional shares will be issued to each stockholder of record Feb. 1. The par value of the outstanding shares will then be restated at $10 each as compared with the present par value of $20. Thus one of the old $20 par value shares would become three shares equaling $30 in par value.

Management of the bank also announced that it plans to recommend that the initial quarterly dividend on the new stock payable April 1, 1957, be declared at 45 cents per share. It was pointed out that if continued on an annual basis this is equivalent to an annual rate of $1.80 per share and would represent a total payment of $5.40 per year on three new shares. This would compare with the present rate of $5 on each $20 par value share and would therefore amount to an increase of 8% in the cash dividend shareholders would receive. Frederic A. Potts, President, said: "The Philadelphia National Bank has reached a point, we feel, where it is in a position to distribute a portion of the improved earnings. This distribution can be made without retarding the future growth of capital funds which are so essential for a strong bank in an expanding community." Upon completion of these changes the 882,604 1/6 shares now outstanding would be raised to 2,647,812½ shares with a par value of $26,478,125. Surplus would be $48,521,875 to make up the total of $75,000,000 capital and surplus.

* * *

The promotion of three officers of the **Philadelphia Saving Fund Society of Philadelphia,** on Nov. 10 was made known by the Board of Managers following the advancements, according to the "Philadelphia Inquirer." Henry C. Watt was named a Senior Vice-President and J. George Hummel and Russell W. Richie were named Vice-Presidents. Mr. Watt, who has served the bank since 1925, was made a Vice-President in 1946; Mr. Hummel, who has been associated with the Society since 1931, became an Assistant Vice-President in 1950, while Mr. Richie joined the Society in 1952 as an Assistant Vice-President.

* * *

President M. A. Cancelliere of **Western Pennsylvania National Bank of McKeesport, Pa.,** has announced that the bank's stockholders have approved the purchase of the WASHINGTON TRUST COMPANY of Pittsburgh. Acquisition of Washington Trust's more than $30 million in deposits will increase the McKeesport, Pa., bank's total deposits to over $135 million. Mr. Cancelliere also revealed that stockholders have approved a 50% stock dividend and issuance of 132,812 additional shares of stock at $30 a share. The additional capital is being raised to cover deposits that will be assumed as a result of the purchase of Washington Trust. Almost 225,000 votes — 85% of the total number of shares—were cast in favor of the proposal; it is added that no negative votes were cast. Plans for the acquisition of the Washington Trust Company by the Western Pennsylvania National Bank were noted in our Nov. 22 issue, page 2200.

* * *

Fidelity Trust Company of Pittsburgh marked its 70th anniversary Nov. 27 with an informal observance at which the bank's oldest depositor was honored. Miss Ella Black, 85, who has had an account with Fidelity since she was a teen-age girl, received congratulations of John A. Byerly, Fidelity President, and other officers of the bank. The former school teacher recalls many Fidelity "old timers," including some of the founders. Fidelity Trust Company, which now has 13 offices in the Pittsburgh district, including three in the Golden Triangle, was established Nov. 27, 1886, in a building on Wood Street not far from its present main office at 414 Wood Street. In 1889, the company built a 7-story granite building at 341-343 Fourth Avenue, which served as the main office until Aug. 6, 1954, when Fidelity merged with the **Colonial Trust Company,** combining a trust company, Fidelity, with a commercial bank, Colonial. The Fourth Avenue building is now known as the Trust Office of Fidelity. The company was established with capital of $500,000. It now has assets approximating $250,000,000.

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Referring further to the merger of the **Delaware Valley Bank & Trust Company of Bristol, Pa.,** with common stock of $912,500 into the **Philadelphia National Bank of Philadelphia,** with common stock of $16,648,333.33⅓—to which reference was made in our issue of Nov. 22, page 2200, the U. S. Comptroller of the Currency, reports in his Nov. 19 Weekly "Bulletin," that at the effective date of the merger the Philadelphia National Bank, under which title the merger was effected, had a capital stock of $17,652,083.33⅓, in 882,604⅙ shares of common stock, par $20 each; surplus of $50,360,416.66⅔; and undivided profits of not less than $17,217,637.02.

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Appointment of H. C. Fordtran to the management staff of the **National Boulevard Bank of Chicago, Ill.** was announced on Nov. 26 by O. Paul Decker, President. Mr. Fordtran, well known in banking and audit circles for the past 25 years, has recently been serving as a Consultant to Dr. Lloyd Morey in the Illinois State Auditor's Office. Prior to this he was Controller and Financial Vice-President for the Wilson-Jones Co. For 18 years, Mr. Fordtran was with Montgomery Ward & Co. as Mail Order Divisional Controller, and latterly as a member of the Divisional Management Board. He began his financial career in 1928 with the Wilmette State Bank, Wilmette, Illinois.

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The National Boulevard Bank of Chicago, Ill., has been elected to full membership in the **Chicago Clearing House Association,** effective Jan. 2, it was announced on Nov. 28. O. Paul Decker, President of the bank, states that this move is in the interest of providing better service to bank customers by a more rapid collection of checks. It is an introductory step in the Boulevard's plans for expansion in all phases of customer service. The Chicago Clearing House Association, with this appointment, will have 13 regular members and 13 affiliate members, which collectively represent 85% of the total bank resources in the Chicago area. The Boulevard Bank has been an affiliate member of the Association for 35 years.

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The Exchange National Bank of Chicago, Ill., now has (as of Nov. 23) a capital of $1,600,000, the amount having been increased from $1,400,000 as a result of the sale of $200,000 of new stock.

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As of Oct. 26 the office of the Comptroller of the Currency at Washington issued a certificate making effective Oct. 31 a merger of the **Farmington State Bank of Farmington, Mich.,** with common stock of $300,000 and the **Peoples State Bank of Belleville, Mich.,** with common stock of $100,000, into the **National Bank of Detroit, Mich.,** with common stock of $26,030,000. The merger was effected under the charter and title of the **National Bank of Detroit.** At the effective date of the merger the National Bank of Detroit had a capital of $26,340,000 in 2,634,000 shares of common stock, par $10 each, surplus of $74,000,000 and undivided profits of $18,265,000.

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The installment loan department of **First National Bank in St. Louis** moved into permanent new quarters at 511 Olive Street on Nov. 13, it was announced by William A. McDonnell, President of the bank. The department, which has been operating at 600 North Broadway since the merger of **United Bank & Trust Company** into **First National Bank** on Dec. 30, 1955, now occupies three floors of the former Senate Building which has been completely rebuilt and modernized. The move was the last step in First National's main floor remodelling program, and one of the final projects in the bank's building expansion and modernization project launched in 1951.

* * *

The board of directors of the **Lincoln Bank and Trust Company of Louisville, Ky.,** announces the election of Wilbur T. Chapin as President, Deroy Scott as Executive Vice-President and Garnett Cook, Vice-President and Trust Officer, as a member of the board of directors. The foregoing changes occurred on Nov. 15, following the death on Nov. 9 of the former President, Noel Rush.

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Announcement was made on Nov. 12 by the **First National Bank of Greenville, S. C.,** of the election of James C. Self, President of the Greenwood Mills, Greenwood, S. C., as a Director of the bank.

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Oscar C. Bruce, Chairman of the Executive Committee of the **Republic National Bank of Dallas, Texas,** died following a heart attack while en route home from his office on Nov. 14. A native of Wills Point, Van Zandt County, Mr. Bruce, except for a brief time in his father's drug store in Wills Point, spent his entire business life in banking. He started in the **Van Zandt County National Bank,** Wills Point, in 1906, and soon became an Assistant Cashier, later serving in the same capacity for the First State Bank in Wills Point. In 1919, Mr. Bruce was made Assistant to the President of the **First State Bank, Eastland, Texas,** and in 1920 was elected Cashier of that bank. From 1920 to 1940, he was Vice-President of the **Dallas National Bank,** and in November of 1940, he became Vice-President of Republic. In June of 1952, he was elected a Senior Vice-President, and in August of 1954 was elected Chairman of the Executive Committee. Mr. Bruce also found time for many civic activities.

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The newly enlarged capital of the **Republic National Bank of Dallas, Texas,** now $32,130,000, increased from $30,000,000, became effective Nov. 8. Details regarding the increase in the capital by a stock dividend of $1,530,000 were given in our issue of Nov. 8, page 1982.

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As a result of a stock dividend of $500,000 the **Alamo National Bank of San Antonio, Texas,** increased its capital as of Nov. 19 from $2,500,000 to $3,000,000.

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Directors of the **Valley National Bank of Phoenix, Ariz.,** have recommended issuance of an additional 105,000 shares of stock. Their proposal will be put before stockholders of the 43-office Arizona banking network at an annual meeting scheduled for Jan. 15. If approved, the proposal will increase the bank's outstanding common stock to 1,365,000 shares, and will add nearly $3 million to its present capitalization which on Oct. 31 stood at $25,402,000. The action, recommended by the directors, was made public on Nov. 27 by Board Chairman Walter R. Bimson. Purchase rights for the new issue will be offered to present stockholders on the basis of one new share for every 12 held Jan. 15, 1957. Sale of the new issue will be underwritten by a syndicate of local and national investment houses. July, 1954, marked the last public offering of Valley Bank stock. Two hundred thousand shares at $22 each were sold at that time and brought the total of outstanding VNB shares to 1,200,000. At the same time the annual cash dividend rate was increased from 90 cents to $1 a share. Another 60,000 shares were issued in January of this year in the form of a stock dividend distributed on the basis of one new share for every 20 held at the time. The dividend, valued at approximately $2 million, increased outstanding shares to the present 1,260,000 total. As of today, deposits, it is stated, are in excess of $375 million and outstanding loans total more than $220 million, President Bimson noted. The bank now operates branch offices in 28 major Arizona communities.

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As a result of the sale of $100,000 of new stock, and the declaration of a $50,000 stock dividend, the **First National Bank in Boulder, Colo.,** now has a capital of $425,000, compared with $275,000 previously. The enlarged capital became effective Oct. 24.

* * *

The new $1,500,000 building of the **First Security Bank of Boise, Idaho, N. A.,** will be officially opened on Dec. 17, according to J. L. Driscoll, Chairman of the Board of the bank. The new building is situated at Ninth and Idaho Streets. Mr. Driscoll added that a week-long public open house will be held in connection with the opening. The six-story, 105-foot high building will serve as headquarters for the First Security Bank, as well as for the bank's Boise operations. First Security will continue to operate its Jefferson Street drive-in at Ninth and Jefferson Streets in Boise. Banking operations will occupy the lower and first two floors, and part of the third floor, of the new building. First Security operates 63 banking offices in Idaho, Utah and Wyoming.

* * *

The board of directors of the **American Trust Company, San Francisco,** announces the election of James K. Lochead as Chairman of the Board and Chief Executive Officer, Harris C. Kirk as President and Ransom M. Cook, Senior Vice-President, as a member of the board of directors. The changes became effective as of Nov. 8.

* * *

R. B. Brenan, President of G. E. Barbour Company, Ltd., Saint John, N. B., was elected a Director of the **Bank of Montreal** at the 139th annual meeting of shareholders held Dec. 3 at the bank's head office in Montreal. Mr. Brenan, began his business career with T. H. Estabrooks Company, Ltd., where he rose to become President and Managing Director. Today, he is a Director of the Canadian National Railways, Fraser Companies, Ltd., and a number of other companies.

* * *

Lieutenant-General Sir Archibald Nye, G.C.M.C., K.C.B., K.B.E., M.C., has been appointed a Director of **The Royal Bank of Canada (head office Montreal),** it was announced on Dec. 4. Sir Archibald recently relinquished his post as High Commissioner for the United Kingdom in Canada. He served his country in a similar capacity in India from 1948 to 1952, and as Governor of Madras from 1946 to 1948.

McGovern, Conway Honored at Dinner

The Wall Street Anchor Club tendered a dinner on Monday, Dec. 3, 1956, at the Chateau Tavern, New York City to Edward T. McGovern and Hugh P. Conway.

Mr. McGovern is Assistant Treasurer of the Chase Manhattan Bank and a past President of the Wall Street Anchor Club.

Mr. Conway is Assistant Treasurer of the Bankers Trust Co. and past Recording Secretary of the Anchor Club.

John J. Boyan of L. F. Rothschild & Co. was Chairman of the dinner.

Bache Opens Office In Brooklyn, New York

Bache & Co., members of the New York Stock Exchange, have announced the opening of an office in Brooklyn at 2215 Church Avenue, just off Flatbush Avenue.

Formerly a branch of Talmage & Co., the newest addition to the network of Bache outlets is under the management of Alexander Davis. The investment firm, with its headquarters at 36 Wall Street, now maintains 57 offices in this country and abroad.

Bache's Brooklyn branch offers all the advantages of a large diversified organization, including facilities for trading on the New York, American and Toronto Stock Exchanges, in the over-the-counter market, on the various commodity markets, in mutual funds, and complete research services.

Two With Allen Inv.

(Special to The Financial Chronicle)

DENVER, Colo. — Norton A. Billings and Marton K. Kranitz have become affiliated with Allen Investment Company, Mile High Center.

A. Patricola Opens

GOLDPOINT, Nev. — Angelo Patricola is engaging in a securities business from offices at Greens Camp.

With Colo. Inv. Co.

(Special to The Financial Chronicle)

DENVER, Colo. — James W. Austin, Jack C. Pridey and Hugh Stuart have become connected with Colorado Investment Co., Inc., 509 Seventeenth Street.

Two With Columbia Secs.

(Special to The Financial Chronicle)

MIAMI, Fla. — Raffery M. Francis and Bernard Silverman have become connected with Columbia Securities Company, Inc., 3839 Biscayne Boulevard.

With Colo. Inv. Co.

(Special to The Financial Chronicle)

DENVER, Colo. — Theodore E. Ragatz has been added to the staff of Colorado Investment Co., Inc., 509 Seventeenth Street.

Copley Adds to Staff

(Special to The Financial Chronicle)

COLORADO SPRINGS, Colo.—DeWitt Hatcher has joined the staff of Copley and Company, Burns Building.

Joins Dempsey-Tegeler

(Special to The Financial Chronicle)

DENVER, Colo. — Robert E. DuLac has become affiliated with Dempsey-Tegeler & Co., Midland Savings Bank Building. He was formerly with Coughlin & Co.

Joins Hornblower Weeks

(Special to The Financial Chronicle)

WORCESTER, Mass. — Harry J. Pikiel is now with Hornblower & Weeks, 95 State Street.

With Intermountain Secs.

(Special to The Financial Chronicle)

DENVER, Colo.—Roger E. Cone is now associated with Intermountain Securities, Inc., 309 Columbine Street.

McRae to Florida

DELRAY BEACH, Fla. — Lincoln E. McRae, Sr. will make his headquarters at the firm's office in Delray Beach. Mr. McRae was formerly in Maine.

Bieder Adds to Staff

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla. — Carl W. Dorbel has been added to the staff of Bieder and Company, 3006 Central Avenue.

Joins Gerard Jobin

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—John C. Brasher is now connected with Gerard R. Jobin Investments Ltd., 242 Beach Drive North.

With Louis McClure

(Special to The Financial Chronicle)

TAMPA, Fla. — Henry R. Lieb has become associated with Louis C. McClure & Co., 617 Madison Street.

With Minneapolis Assoc.

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Dorothy H. Olson has joined the staff of Minneapolis Associates, Inc., Rand Tower.

Continued from page 6

Providing Energy Self-Sufficiency To Permit Economic Survival

scarcity. Now let us turn to the second point of reference — the "politico-economic" time scheme.

Politico-Economic Needs

The "politico-economic" time scheme can be expressed roughly as the scalar effect of international politics and tensions upon conventional energy reserves. Barring war, such political unrest has a qualitative, but no less meaningful, impact on the overall energy dilemma. Indeed, as far as the industrial West is concerned, the politico-economic time table is far more serious than the geological, because much of the available oil resources in the Middle East and in Southeast Asia are in under-developed lands which, for the time being, are both politically and economically unstable. This so-called "neutralist" group of nations is currently being subjected to mounting Soviet economic and political pressure. Should their vast, unrealized human and physical resources fall under the control or influence of the enemies of the Free World, we could expect that they would impound a substantial portion of the world's conventional energy supplies. Such a development would, of course, reduce drastically our particular energy time scheme.

It is possible to describe, but not to imagine, the hardships which would result from such a course of events.

Western Europe, one of the vitally important industrial complexes in the world, is at present hopelessly dependent upon the oil-rich Middle East. An estimated 85% of Western Europe's petroleum needs, or over one billion barrels a year, is supplied by this troubled area. More than 30% of Western Europe's total economy is powered by oil, and consumption is increasing at the rate of 10% each year. Any substantial strangulation of this flow would, by the threat of speedy collapse of Western Europe's economy, compel the Western Hemisphere to make up the difference. How long could the United States and Latin America afford to export close to one billion barrels a year, in excess of present exports, without exceedingly violent economic consequences?

Assessing Middle East Situation

We must, it seems to me, assess realistically the political and economic situation in the Middle East and, indeed, in the entire "neutralist" area.

First, I would say that we must face up to the fact that under present international conditions there can be no permanent solution to this problem, no permanent easing of this tension.

The lack of effective leadership and of adequate energy, compounded by widespread poverty, hatred and fears—has induced in this area of the world extreme economic and social dislocations.

It is hardly necessary to review for you the lengthy and lamentable events which have contributed to the xenophobia, and intense nationalism, of the Middle East and of other Asian areas. Suffice it to say that only through patient understanding and unusual restraint on our part, coupled with dynamic programs of economic improvement, may these peoples eventually mature into stable nations with a rational response to the world environment. This is not to imply that we must indolently permit Russia to fill the political void of the Middle East and of Southeast Asia. Even if the Free World were independent of Asia and the Middle East for oil or other vital resources, we would, indeed, be flouting all moral purposes and principles if we were to permit these peoples to become hapless victims of Soviet imperialist brutality, and hopeless slaves of the Communist conspiracy. Nevertheless, the Free World must take immediate and radical steps toward becoming independent of Middle Eastern oil.

This is imperative, not only because of Soviet military and economic aggression which must be reckoned as permanent, but because of the rampant nationalism of the Middle East which almost certainly within five years will either forcibly cut off the oil supply by military coup or by nationalization, or by demanding royalty concessions impossible to meet. Irrational force cannot be quenched by countervailing force without such bloodshed and horror as attended the Soviet brutality in Hungary. Fortunately, for Asian and African peoples, Free World nations would not, because of economic needs, practice or condone these tactics of suppression. The cause of nationalism in the Middle East has now gone much too far for any reversion to iron-fisted colonialism.

Five-Year Lead Time?

What then, is the "politico-economic time scheme?" If we are fortunate, and our diplomacy is realistic, I believe we may eke out a five-year postponement of the inevitable. Yet ever in the background remains the constant danger that the heat of a local disturbance may trigger the entire world into war.

Many of our most distinguished and articulate leaders have voiced an apparently deepening despair with respect to current efforts to keep peace. The specter of atomic-hydrogen war is, perhaps, for the present the only sure means of keeping an armed peace because its total destructiveness enlists the compelling fear of death, certain and sure for all men and all nations. Yet even here one must say "perhaps." With so many angry brush fires burning, any peace that is based on conventional forces must be precarious. Therefore, I do not believe that our present peace can withstand much longer such volcanic political disturbances as the world has endured in the past two months.

It seems to me almost incredible that despite the forewarnings of danger in the Middle East which first became apparent over five years ago with the sinister posturings of Mossadegh in Iran, that the Free World should have continued to hope for a solution by conventional techniques. It seems even more incredible, looking back from today, that even as the political situation deteriorated Western nations still did not grasp the over-all implications of their utter economic dependence upon the stability of such an unstable area. Positive steps might have been taken — actions that would have made unmistakable the posture of Western Europe and perhaps brought a semblance of sanity to would-be aggressors. The "politico- economic time table"—the Free World's Procrustean bed —might have been lengthened, and in such a period of relief our energy problem perhaps put at least on the road to its one and only solution.

I refer, of course, to a massive Free World program of nuclear energy development not only for power but for all those additional applications which are technically feasible and which will be necessary before nuclear power may ease significantly the Free World's current dependence on dwindling and tentative oil and coal resources.

For about five years now—beginning with the knowledge that there might be sufficient uranium for limitless peaceful applications of nuclear fission and during the period when general discussion of this important development was non-existent—I have been advocating the immediate adoption of world-wide programs of nuclear energy development. During this period, I have spoken again and again at forums in this country, in Canada, and in Japan, on the coming "Atomic Revolution"; on massive atomic creation versus massive atomic destruction; and on "Atoms for Peace." In December of 1954, for instance, to the 59th Annual Congress of American Industry of the National Association of Manufacturers, I proposed—as a first step towards achieving this cultural and economic goal—a specific 100-year program for the development of international atomic energy under the partnership of American government and American industry. I suggested then—two years ago—that American government and American industry assist the industrialization of the world's under-developed nations through atomic research reactors and small atomic power reactors, financed by American dollars in part already allocated by our government, on a repayment basis. To raise living and cultural standards in Asia, Southeast Asia, Africa, Israel and Latin America, I urged the implantation of atomic "seed" reactors in four categories over a period of 25 years. In Tokyo, over a year and a half ago, I proposed as a possible specific second step, the development of a Free Asia Atomic Energy Community with the atomic "have" nations contributing to the development of atomic "have not" nations.

Need Is More Urgent

In an effort to assist in easing the political rigidity which seems often to characterize American attempts to develop atomic power potentials for the "have not" nations of the world—and the consequent reluctance of these nations to accept the boon of atomic power for fear of "strings attached" —I proposed at Phoenix, Arizona, in November of last year, a third and final step: The creation of a "World Energy Community" to be underwritten by all the nations of the world for all the nations of the world. The purpose of such an organization would be to put into effect by the united governments of the world a multilateral, multi - purpose, multi - dynamic program utilizing principally the forces of atomic fission and applied solar energy, and perhaps later atomic fusion, to balance in a master concept the world's economic needs with the world's means to fill those needs.

In view of the present sophisticated economic-atomic aggression of the Soviet Union in subverting the moral values of entire peoples through material assistance — at the price of ultimate slavery — and in view of our own disappointing failure to win completely the hearts of other nations, the urgency is now even more apparent. Such programs might well have instilled immediately sufficient hope for a better life among the peoples of the Middle East and Southeast Asia, so that their leaders would not have been impelled to adopt belligerency as national policy. Such programs, in my opinion, might well have thwarted the threatened Soviet economic imperialism at its very beginning.

Now, much of the initiative for imaginative atomic aid to under-developed nations must give way to still more practical considerations. Where, before the Suez Crisis, the free nations of Europe and the Americans might have looked to an atomic foreign aid program as providing a necessary stimulus to their own reactor development, they must now look to the economic survival of the Western World.

Review OEEC and NATO

It is therefore abundantly clear that for the West energy self-sufficiency is the prime condition of economic survival.

In 1948, certain free nations of the West entered into a defensive military alliance against aggression which was designed to enlist the combined power of all of the nations of the alliance for the protection of each individual member-nation. This alliance of 15 free nations, as you all know, is the North Atlantic Treaty Organization. NATO has provided all of us with a measure of military security and has fortunately, in addition, been a strong economic integrating force. Successful operation of NATO has influenced significantly that regional cooperation in Western Europe which is epitomized in the establishment of the European Coal and Steel Community, and in the formation of the Organization of European Economic Cooperation — OEEC. The proposed European Atomic Energy Community known as "Euratom" also exemplifies the philosophy of workable international cooperation first advanced by NATO.

As NATO has provided military security through the combined resources of its member nations, so, now it seems to me, a similar organization must provide us with energy security.

From a strategic point of view, the economic situation of 1956 is far more critical to the continued security of the Western World than the military situation of 1948. Indeed, the Suez Blockade — aided and abetted by the Soviet Union— is a striking parallel development in the economic sphere to the Berlin Blockade in the military sphere. In 1948, however, the stakes were limited, it seems to me, merely to the immediate tactical situation.

Berlin and Petroleum Blockades

Now, with the probability of a Petroleum Blockade—and the consequent stifling of the entire West Europe economy—the world itself is at stake.

During the past few weeks, we have seen in the most graphic form possible, how a few hours of demolition work can block an artery supplying the industrial life blood of 350 million people.

I should like, therefore, to propose that we begin, now, with all possible speed — under the immediate urgency of individual and national survival — to make the Free World proof against Soviet economic aggression.

I propose that we begin, now, to make the Free World independent of those Mid-East oil resources which the Soviet seeks to impound and thus, by seizure, by sabotage, or by inflamed nationalism, to strangle industrial Europe and ultimately the Americas.

As the Berlin Blockade triggered NATO into existence, the Suez Blockade must, I sumbit, drive the Free World into an even more cohesive economic alliance and into an even more intensive program of positive, cooperative action.

I propose, therefore, to the citizens of the non-Soviet world — to the political leaders, to the men of science and religion, to the military men, and to the industrialists of the Free World—that action be taken now to form, not a new military or political alliance but a new economic alliance, an Atomic Alliance, a "United Atomic Treaty Organization"—UNATOM.

Proposes UNATOM

An organization such as UNATOM should be modeled in general upon NATO. My reasons are threefold. First, and foremost, NATO has proven, despite recent difficulties, to be a logical and realistic approach to the urgent international problems within its sphere. Second, the 15 NATO member nations, at least would be familiar with already proven techniques of mutual cooperation. Third, the NATO type of organization preserves national sovereignty, but at the same time enlists and programs the resources of all. Yet, since the current energy crisis is so much broader and so much more significant than the localized crisis at Berlin which brought NATO into existence, UNATOM would ultimately require greater resources, greater capabilities than presently exist within the NATO program. Nor should the purposes of UNATOM be so explicitly defined as those of NATO, nor its intent so specialized.

What I visualize generally is a flexible alliance of the free nations aimed as much at eradicating poverty through the wide-scale application of nuclear power as it is at providing rapidly a worldwide equalization of energy resources. Specifically, UNATOM would expedite not only nuclear power development, but advance nuclear science and technology so that all member nations might in the shortest space of time achieve energy self-sufficiency—and hence the political independence that economic independence provides.

I emphasize science and technology because these are the principal instrumentalities which can bring a needful flexibility to nuclear power applications. Certainly much more advanced reactor and power plant designs must and will be forthcoming in the electric power field. And these developments must, through scientific and technical advances and through the enlightened cooperation of Free World governments and industrialists, be accelerated far beyond current or projected programs. I am confident that these advances in nuclear power, transportation, communication, medicine, agriculture and biology will come about within the very near future under pressure of sheer economic necessity and the proven capabilities of men of science and industry. Some may well require scientific "break throughs. "Others can be solved now by a massive cooperative effort on the part of Free World industrialists who must with the capital and with the influence they command clear away the road blocks to international nuclear development. But come they must, and soon.

A New Age of Discovery

The world seems again to be in a state of intellectual, social and political ferment similar to that of Western Europe at the dawn of the 16th century. Then, a force of great power and vitality had overrun all of Southeastern Europe, much of Southern Russia and stood, as today, before the gates of Vienna. Then, as now, a military colossus blocked Western Europe's supply routes to the East. All Christendom and, indeed, all of Western civilization, was in deadly peril of the armed might of the ancient Ottoman empire.

Within the constricted confines of the West, the agrarian feudalism which had governed society there for 600 years was crumbling away under the combined impetus of national power and economic individualism. Landless serfs, refugees, by the tens of thousands, their ancient rights forfeit by the enclosure movement resulting from the demands of the wool trade, flooded the countryside and crowded into the new cities. Disease, famine and despair were everywhere prevalent.

Yet, in Italy, an incredible intellectual and artistic revolution —a Renaissance of the Spirit of Man—was already beginning. The tools for a millenial advance in thought and action were being prepared. And within 50 years' time this rebirth—the Age of Discovery — succeeded the darkest period of Western European history.

The Age of Discovery — the Renaissance of the Spirit—completely altered the pattern of world civilization. For without the scientific and technical advances of the Renaissance — astronomy, navigation, shipbuilding, printing, and the temporal, romantic spirit of the conquistador and the merchant adventurer who applied both the scientific and the philosophic thought of that remarkable age—Europe might well have declined to the "point of no return," and our Americas might never have been.

I think that we may epitomize this age of the discovery of the World and of Man—this remarkable conquest of the forces of destruction by the forces of creation —as a triumph of the Spirit, of individual courage, and of leadership inspired by a vision of new worlds and their potentials. The fitting out, the manning and the sending forth of expeditions to the far corners of the globe; the individual questing of men like Galileo and Copernicus; the voyages of Prince Henry the Navigator; the daring of Columbus, Cabot, Grenville and hundreds of others; were all manifestations of the tireless intellectual vigor of the human mind bursting the bonds of tradition and military interdiction and winning its way into the richer geographical and physical unknown.

At this hour a vastly more powerful and dangerous enemy than the 16th century's Ottoman Empire stands at the gates of Vienna. Christendom again is in deadly peril not before the Crescent, but before the Hammer and Sickle. The world is crying out again in anguish for a new understanding, a new leadership.

And again there is burgeoning an intellectual revolution of incredible magnitude, far greater, I would say, than that of the Renaissance. We are possessed, now, of new tools and new techniques, stemming from the advance of modern science, that are awe-inspiring in their capabilities. And the spirit of the times—the development of an understanding of a new and multi-dimensional Universe—that we have, also.

Free World industrialists, like their famed predecessors, the merchant adventurers, will, I am confident not hesitate to fit out the scientific expeditions of this Atomic Age: Argosies to explore, in expectation of fabulous reward, the sub-atomic and astronomic worlds. In the exploration of this Universe lies the promise of another and infinitely greater Age of Discovery; and herein lies the permanent solution of world economic and political problems.

No one can say whether UNATOM, if tried, would succeed. But I contend that the crisis we face in respect to energy is so great, and time so short, that we must now pool our atomic resources or die.

I, for one, am enough of an optimist to know that we cannot fail. Enough of a pessimist to state that we dare not fail. Enough of a realist to believe in the triumph of moral principle, of individual courage, of the cooperation of free men under God.

For I have certain knowledge that the good and the true must prevail—for only the good and the true are real.

Four With Maisel Inv.

SAN FRANCISCO, Calif.—Louis M. Black, John L. Corse, Mildred L. Dell and Leland A. Kerfott have become affiliated with Maisel Investment Company, 564 Market Street.

Continued from first page

As We See It

upon us backing the British up "in a pinch when our interests were vitally affected." But now he wonders why he and his countrymen "should go on pouring out millions for all this defense effort and this NATO stuff, when we suddenly find that we aren't even allowed to use it for ourselves."

The gentleman, plainly, has been in favor of NATO, the British-American alliance, the United Nations and all the rest because he thought British interests around the world would be served and protected in this way. It is likewise implicit in his outburst that he expects the British to be permitted to judge when their interests are being served. In plain language he is a nationalist to the core. He is interested in international organizations and international dealings when and only when he finds them useful instruments for the advancement of the interests of his own country.

Typical

We do not mean to be critical of this unnamed British commentator. We describe him for the reason that we suspect that he is at heart quite typical of most of his fellow countrymen, and for that matter of many if not most of the citizens of other countries 'round the world. Nationalism is far from dead. On the contrary it is very much alive, and not only among the backward peoples who now insist upon independence from former colonial governors, but in the former imperial capitals of the world. And that nationalism is not the idealistic sort which looks toward some sort of Utopia where all will be served equally. It is a rigorous, competitive nationalism which must of necessity give rise to conflicting hopes, ambitions and purposes among the nations of the world.

It has been chiefly upon this rock that efforts to build an international organization that would function to settle international disputes, to ameliorate if not eliminate conflicts of interest among nations and to keep the peace, have in the past been wrecked. It is essentially upon this rock that the United Nations is in danger of being wrecked at this moment. It is this fact which has always rendered the notion of a United States of Europe no more than a dream of idealists. And it is a fact which somehow will have to be eliminated or at the least greatly altered if the future is to be greatly different from the past in the matter of avoiding international disputes and ultimately war.

It is a fact which must often have been borne in upon the minds of authorities at Washington in recent weeks. We who have developed the idealistic notion of serving our own ends by preventing war into which, to judge by the past, we should almost certainly sooner or later be drawn—we find that we are regarded favorably abroad or unfavorably depending upon whose national interest we seem to be serving at the moment. Britain, naturally, has its own ideas about its own interests and how best to serve or defend them, and it is quite certain that many Britishers believe we are not serving them for her now. In the minds of many in that country all that we have done for those interests in the past are forgotten and we are put down as a poor friend. Somewhat the same is true of France, but Germany, some of the Arabs and quite possibly other peoples find us enlightened and constructive—their interests are being served.

Balance of Power

Of course, the "balance of power" theory which is supposed to have served the world well for a long span of years is based upon and makes use of this very same nationalism. Countries with identical, similar or at least non-conflicting interests band together in a sort of mutual protective relationship. When such groups are roughly equal in strength, or too nearly so for any of them to wish to precipitate trouble, the world tends to stay at peace—or so it used to be thought. But now the United Nations undertakes to band all together, those with conflicting and those with identical interests as well, and pins its hope upon finding some means whereby these conflicting interests and ambitions can be reconciled—and it is the United States with no particular interest except that of keeping the peace which thinks of itself as the leader in the movement.

Of course there are more sophisticated views of the world situation and its needs. A diplomat of long experience in Britain is quoted by Mr. Cook to the effect that "there are three courses in the Middle East. Either Britain polices the Middle East, or the United Nations is made strong enough to do it, or there will be chaos." He might well have added, as we strongly suspect, he was thinking, that chaos is made to order for the Kremlin, and that to permit chaos to take over would be about the same thing as handing that part of the world over to Russia which has long wanted to get a good hold of it. And so we are back to very nearly where we stood half a century ago.

There has, of course, been a good deal of talk about renouncing force as "an instrument of national policy," but whatever may have been said on the subject and whatever may now be said about it, it is not easy to envisage a time when great nations, "advanced nations," backward peoples (particularly when they own coveted resources) and competing nations will sit down together and apportion their resources and adjust their interests according to some formula not yet devised.

Continued from page 12

The Municipal Bond Market And Rising Money Rate Period

answer to prayer of corporation treasurers. They sell at yields not much under the discount rate, are salable at any time, and are an ideal investment for tax reserves and working capital not likely to be neded for a while. The banks also prefer bills to any longer maturity giving a comparable return and every Monday finds them bidding against corporations and dealers. This special popularity has kept bills from declining in price as much as might have been expected.

The psychological influence is the undue importance attached to every purchase of bills by the Federal Reserve which buys or sells the shortest Treasury obligations to equalize credit pressures from week to week. The will to believe that any purchase by the Open Market Committee may predict a policy change to easier money has led others to buy bills whenever the Fed. does and so to keep their price higher and their yield lower than seems consistent with the yields of slightly longer government securities.

Investor Opportunities

The flattening of the yield curve of tax-exempts has been a continuing source of difficulty for municipal bond dealers but it has offered investors opportunities to earn a generous tax-exempt income with the minimum of risk of their capital funds.

The Pressure of Rising Money Rates

Borrowing has become more expensive for everyone but the burden of high interest rates is not uniform.

Many forms of borrowing are optional, but local governments cannot perform their functions without getting, as they need it, the money for schools, streets, water extensions and the other capital improvements made necessary by their growing populations. In this period of costly money they are paying more dearly than other borrowers.

Rent of course is not an income tax deduction but a veteran buying a home can deduct the portion of his monthly payment which is interest.

Instalment buyers are making optional purchases. If they don't mind paying up to 14% interest, no one is going to worry much—except the Federal Reserve Board.

For corporations, paying around 50% Federal income tax on profits, the stated rate of interest is in effect only half as great. And all business borrowers expect to increase their profits by the use of the borrowed funds.

With interest rates high, the U. S. Treasury suffers the same disadvantages as local governments on its billions of financings. It has been postponing final arrangements by borrowing only for short terms. For local governments, short term borrowing is not feasible except to a very limited extent.

Our municipalities are the chief sufferers from rising interest rates, although the strict money policy of the Federal Reserve is not directed against them.

To Keep the Dollar Steady

It should be remembered that the present money situation might be quite different and less acute if the Federal Reserve ~~had~~ its former power ~~to regulate~~ mortgage and instalment borrowing. ~~Without these selective controls~~ it can deter borrowing only by ~~making money more costly~~ and scarcer for everyone. Its purpose, stated many times, is to curb borrowing which will raise prices by demanding more goods than are being produced. The objective is to prevent inflation which eventually results in deflation.

The Federal Reserve banks have raised their rates to discourage banks from borrowing from them. And they have done what they could, without hampering normal business, to make money scarcer.

On Nov. 17, 1954, just before the policy of restraint was begun, the average of daily figures showed that Federal Reserve credit was $25,708,000,000. The discount rate was 1½%. Member Banks were borrowing only $86,000,000, and they held $37,677,000,000 of government securities.

On Oct. 3, 1956 Federal Reserve credit was $25,593,000,000, the discount rate 3%, member bank borrowings $902,000,000 and member bank holding of governments only $25,979,000,000. Federal Reserve Credit got up to $27,420,000,000 to help banks over last New Year's but before the end of January it was down to $25,480,000,000 again.

At the end of 1954 the money supply (demand deposits adjusted and currency outside of banks) was $129,700,000,000. On July 25, 1956 (the latest figure in the Federal Reserve Bulletin) it was $134,500,000,000 (estimated). Considering the great activity of the intervening period this was a very small increase.

The Demand for Money

	1954	1955	1956	
		(000's omitted)		
U. S. Government	$12,593,000	$14,536,000	$3,221,000	(9 Months)
New tax-exempt bonds	6,810,758	5,900,877*	5,003,135	(11 months)
Corporate financing	9,516,000	10,240,000	6,288,000	(7 months)
Increase in mortgages	12,500,000	16,200,000	7,800,000	(6 months)
Increase in consumer debt	1,049,000	6,356,000	1,552,000	(10 months)
Increase in loans representing mem. banks	1,126,000	7,348,000	3,442,000	(9 months)
Increase loans "all banks"	5,099,000	14,440,000	6,013,000	(7 months)

*Less than 8% of total of this column.

In 1955 the increase in consumer debt was greater than the total of new issues of tax-exempt bonds.

New York Federal Reserve Discount Rate

November 17, 1954	1½%
December 31, 1955	2½
October 3, 1956	3

Indicators

	1954	1955	1956
Bill Rate	1.175 Dec. 27	2.688 Dec. 30	3.024 Oct. 15
Bond Buyer's Average	2.26%-2.54%	2.37%-2.63%	2.42%-2.96%*

*Through Oct. 19.

Active Money Supply

(Demand deposits seasonally adjusted, "All Banks" and currency outside banks)

December 31, 1954	$129,700,000,000
December 31, 1955	133,300,000,000
July 25, 1956	est. 134,500,000,000

Federal Reserve Credit

(Average Daily)

November 17, 1954	$25,708,000,000
December 28, 1955	*27,420,000,000
October 3, 1956	25,593,000,000

*High for period.

The Business of Banks Is Lending

Banks can charge whatever the traffic will bear for short term loans. They can be strict in their judgment of the credit-worthiness of borrowers. But they don't stop lending, for that is what they exist to do.

During the past two years borrowers of all types, except farmers, have been asking the banks for more credit tnan ever before. Many companies, wanting money for long term expansion, have borrowed from banks rather than sell bonds. Even some big lenders, such as finance companies and insurance companies have come to the banks for unusual amounts. The whole intense desire to borrow for spending or for expanding has focused on the banks.

Self-Help

The Federal Reserve could have created free reserves for the member banks but, on the contrary, it has forced them to increase their borrowing from it. On Nov. 17, 1954 they had net excess reserves of about $812 millions; on Oct. 3, 1956 their net deficiency of reserves was about $293 millions.

Where did the banks get all the money they have lent during the past two years?

Using the figures most frequently seen, those for reporting member banks only, for Nov. 17, 1954 and Oct. 3, 1956, it appears that:

Loans have increased	$12,295,000,000
Banks have sold Government Securities	11,698,000,000
Banks have sold other securities	687,000,000
Banks have borrowed from the Federal Reserve amounts varying from day to day—on Oct. 3, 1956—daily average	902,000,000
Some have sold shares	------

These figures are for reporting member banks only as compiled each Wednesday. Those for all banks are different.

When banks borrow from the Federal Reserve they obtain reserves and (in New York and Chicago) they can have deposits of five times the amount of their reserves.

When a bank sells securities and uses the proceeds to make loans it might seem as if it merely exchanged one investment for another, but the result is quite different. By sending the cash to the Federal Reserve as additional reserve the bank can, theoretically, lend five times that amount. The securities and the cash proceeds from their sale are assets. When the bank makes additional loans, the loan agreements are assets offset by a similar amount of deposits which are a liability against which a reserve of 20% must be carried with the Federal Reserve. This use of the cash proceeds enlarges both sides of the balance sheet. This simple example is for a single bank, not for the banking system.

Respected Ratios

The operations of the banks during the past two years have weakened the ratios between certain of their assets and liabilities which the banks themselves, bank examiners, and the Federal Reserve consider desirable. There is no thought that the strength of the banks has been impaired, merely that they are less well padded than formerly. The change has resulted from banks as a group having sold securities, a large portion of them short term governments, while increasing loans and, until recently, being rather unsuccessful in selling additional shares of their stock.

The ratio of 20% reserves against demand deposits (checking accounts) is mandatory with banks in New York and Chicago. (It is less in other parts of the country.) And of course banks manage always to have a margin of liquid assets or they couldn't go on making loans.

Other ratios involve the definition of riskless assets. Bank examiners, hard hearted guardians of our deposits, will not admit that anything is "riskless" except cash and Government securities. The Federal Reserve Bulletin of October, 1956, page 1085, provides the figures for this comparison.

All Commercial Banks
(Based on Gross Assets)

	Dec. 31,'47	June 30,'56
	(in billion of dollars)	
Total Assets	$155.377	$205.712
Cash assets	37.502	42.444
U. S. Government Securities	69.221	56.620
Total riskless	106.723	99.064
Risk assets	48.654	106.648
% Risk assets to total assets	31.3%	51.8%
Total loans	38.057	86.887
Total gross deposits	144.103	186.326
% Loans to deposits	26.4%	46.6%
Capital accounts	10.059	15.927
% Capital accounts to risk assets	20.7%	14.9%

For its own liquidity ratio an individual bank may have a standard more rigid in some respects, more liberal in others, than the theoretical ratio. For example, a very conservative bank may consider that its riskless assets consist only of cash and Government and tax-exempt securities both running not more than one year.

And then there is the ratio of risk assets to capital funds which a conservative bank likes to keep somewhere around six to one.

Why Money May Be Tighter

All these ideal ratios have been under increasing strain during the past two years. And for that reason, from now on the Federal Reserve policy of credit restraint, if continued, will be more effective. Without anything more than neutrality on the part of the Reserve, money will be less readily available and rates may go higher.

The three obstacles to further expansion of bank loans were discussed by Dr. Jules I. Bogen in the "Journal of Commerce" of Oct. 16, 1956. He listed them as—

(1) Shortage of legal reserves.

(2) Decline in bank liquidity.

(3) The falling ratio of capital funds to risk assets.

He points out that member banks have been borrowing from the Federal Reserve to keep up their excess reserves, that cash and Governments now are not much over 50% of deposits compared with more than 60% two years ago, and that loans and investments other than Governments (risk assets) have increased 20% but capital funds only about 10%. He concludes: "All three of these factors will make it difficult for many would-be borrowers to obtain the loans they seek at the banks, even at higher interest rates, in the absence of a modification of Federal Reserve policy or a contraction in the demand for funds." . . . "A further rise in interest rates on bank loans is probable under these circumstances."

Higher Rates-Lower Prices-More Buyers

But should money rates be high or low? Lenders want them high; borrowers want them low.

The low prices of the past year, due to high money rates, have interested many investors who previously found tax-exempt yields too low. Whole new groups of buyers had to be found for the short maturities, and the effort has been fairly successful. For the past year the tax equivalent yield of municipal bonds has been so much better than that from stock favorites that many private investors have taken profits and transferred their funds. Today Aaa bonds can be bought for what Baa bonds cost four years ago. By their "Moody's" averages Aaa bonds now yield more than A bonds did in early July this year.

Falling money rates and rising prices are of course highly satisfactory to local governments needing to borrow, and to dealers. But municipal bonds like anything else can price themselves out of the market, especially if the buying power of the dollar is decreasing rapidly.

Steady interest rates, either high or low, might seem to be the most desirable. Then everyone would know about what to expect. But, during periods of comparative stability of money rates, variations in the demand-supply ratio have kept bond prices bobbing up and down. The securities business would be just too boring if any school boy could predict prices.

The Tide Will Turn

Unless Congress and various powerful Government agencies commit us to unbridled inflation, the presenet boom will end as all booms have—perhaps in a gentle "rolling readjustment." When buying and building decline, there will be less demand for loans and interest rates will be lower. But there is no assurance that they will return to the very low rates of a few years ago. Whenever interest rates fall, muncipial bond prices probably will begin to rise.

The Longer View

Interest rates have been in a generally rising trend since 1946, but it may be historically inaccurate to speak of them as "high."

There is a theory that interest rates move in long, somewhat irregular cycles of 20 to 30 years. Perhaps theory is too dogmatic a word. Very likely those who have discussed the subject would say that financial history will not necessarily repeat itself. But they have observed these alernations—

1865-1870-1898 or possibly 1902: generally falling interest rates.

1900-1920 or 1921: rising interest rates.

1921-1946: falling interest rates interrupted by very high rates during the stock boom.

1946: rising interest rates with a period of artificially low rates in war years and later years.

From the beginning to the end of each of these periods interest rates fluctuated widely but in general did not go back to where they were at the beginning.

Records are increasingly meagre for more distant years, but the history of our own country and of Europe does show recurring swings of prosperity and slump or depression. Perhaps the basic reason is that there seldom has been a period of more than 30 years without a major war. Or possibly it takes about a generation to reverse the emotional and material effects of the extremes of inflation or deflation.

It is customary these days to attribute all changes in money rates to the Federal Reserve but actually the central bank, here and everywhere, changes its rates only to correspond with what has already taken place in the money market. From day to day individual borrowers and lenders agree on the terms on which they will do business and so make and change the price of money. This they have been doing, up and down the scale of interest rates, since long before the Federal Reserve was invented. And it was invented, by the way, not to rule the money market but to ease the pain of its jumps and bumps, especially those of its brief erratic moves.

If interest rates do move in 20 to 30 year cycles, no central bank ever has controlled them. Perhaps it can't be done.

The Most Necessary Bonds

If we are in a long period of rising money rates, i.e., of general confidence and wide prosperity, we are not far along in it.

But whether or no, it can do no harm for all those concerned with municipal bonds to proceed on the assumption that the general trend of the cost of money will be upward for a dozen years or more.

Within the long trends there always have been frequent ups and downs, and they must be expected. Intermittent periods of falling rates and rising prices will be generally welcomed and the rising rates need not be harmful if a technique for working with them has been thought out in advance.

Municipal bonds have to be issued and sold. They are more important than any other kind of financing because they pay for maintaining and improving living conditions in our civic communities.

Our states, local governments, and Authorities, with few exceptions, seek financing only for construction projects necessary to the health, education, or civilized convenience of their growing populations.

They ask very little, really. Last year the increase in consumer credit, chiefly for new cars, exceeded the total of new tax-exempt issues.

The total of the funds involved in such public financing is too small to have much effect on interest rates but the municipal bond market performs a patriotic function of definite importance.

The flow of credit to our local governments must continue, with no stoppage except in a national emergency. But the planning, timing, and merchandising of their bond issues can be modified to fit rising interest rates.

This can be brought about by closer cooperation of the public officials, dealers and dealer banks, and investors who together constitute the muncipal bond market.

Working in harmony, in the favorable atmosphere of free enterprise, they can find ways to be mutually helpful in providing the funds necessary to keep our American communities h e a l t h y and progressive.

Joins Fahnestock

(Special to The Financial Chronicle)

FT. LAUDERDALE, Fla.—Sheldon S. Wells has become connected with Fahnestock & Co., 1750 East Sunrise Boulevard.

With F. I. du Pont

(Special to The Financial Chronicle)

MIAMI, Fla.—Charles T. Cubellis is now affiliated with Francis I. du Pont & Co., 121 Southeast Second Avenue.

Joins Sessler Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Thomas G. Ronayne has become associated with John G. Sessler Company, 10 Post Office Square. Mr. Ronayne was formerly with Sherman Gleason & Co. and Keller Brothers Securities Co.

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World-Wide Oil Problems and Long-Run U. S. A. Shortage

and the reserves of the domestic industry in 1975, we could get little agreement. We should, however, get general agreement to the proposition that the oil and gas resources in the ground cannot indefinitely supply all of the nation's rapidly growing needs for liquid and gaseous fuels.

The great debate concerns the quantity ultimately available, the rate at which it can be recovered, at what future date productive capacity will be unable to meet requirements, and the influence of these factors on price. Hardly anyone denies that some importation even now is necessary, to supplement domestic production, in order to maintain reserves and reasonable surplus productive capacity for emergencies. The real argument is over the equitable level of such imports with regard to the best interest of our domestic economy and our national security.

President Eisenhower dealt with the question in his memorandum to Arthur S. Flemming, Director, Office of Defense Mobilization under date of Oct. 12, 1956. He said, in part:

"The study should proceed, of course, on the assumption that plans which are developed are to be consistent with the requests that you have made to oil importers to voluntarily keep imports of crude oil into this country at a level where they do not exceed significantly the proportion that imports bore to the production of domestic crude oil in 1954."

Now we can't undertake to discuss here all of the questions involved in the issue of oil imports. We all recognize this as a stubborn problem requiring our best in patience, good will, diplomacy, ingenuity, and in business dealing. I simply want to emphasize that it is a problem with many facets, not the least of which is the fact that we live in an interdependent world. That unalterable fact must guide our thinking.

Rising Oil Demand

While demand for oil in the United States will probably be some 4% greater this year than last, I am advised that normal Western European demand will be some 7% greater. And, there is every reason to believe that the Free World's over-all demand will continue to rise. Indeed, we face a future in which for a number of years the entire world will increase its dependence upon oil—oil for power—for industry—for the Military—for railroads and steamships—for automotive vehicles.

Where is it to come from? Obviously, it must come from every region of the world—a major portion from the Middle East, so far as we now know.

It is of the utmost importance that Middle East oil continue to be available in the world markets. That simply means it is important too, that the United States continue its efforts for peace and assist in maintaining production and exploration in the Middle East.

Western Europe is desperately dependent upon oil and trade with the Middle East. We know, by bitter and repeated experience, that any decline in the level of economic activity in Western Europe soon reflects itself in the United States and Canada.

Who Will Face Disaster?

Western Europe will face disaster if Middle East oil is permanently cut off.

There is, however, another side to all this.

The countries of the Middle East, even though they have this oil, not only will slip back in their economy but also give up opportunity for improvement in their standards of living unless they can market it. Those countries know their oil resources are valueless unless they have available the great markets of the West.

In this mutuality of interests lies one of the basic hopes for peace in that area.

Question of Self-Sufficiency

Some of you believe that the security of the United States can be assured only by complete self-sufficiency—that there neither is nor can be any security in foreign oil. Certainly, the record of history requires us to carefully examine this appraisal. Repeatedly, we have allowed ourselves to become dependent upon other nations for tungsten, for manganese, for potash, and many other metals and minerals only to find ourselves cut off from these supplies, or greatly restricted in their availability during an emergency.

For many of these materials, however, some answer other than self-sufficiency must be found. The costs of achieving self-sufficiency in iron ore, copper, lead, and zinc would be great—greater perhaps than we want to assume or even could afford.

It would be next to impossible to achieve self-sufficiency — regardless of cost—in tin, strategic grades of mica, industrial diamonds and many other strategic minerals and metals.

As to some minerals and metals, an effective answer to our security problems can be found in stockpiling practices, such as we have followed. As to other materials, some provisions can, and I think should be made for the maintenance of extra productive capacity.

Insuring an adequate supply of petroleum is a matter of major concern. Military operations are powered almost entirely by oil and essential supporting civilian services simply bog down if adequate supplies are not available. I realize that many of you are convinced that the domestic petroleum industry, if relieved of the competition of what some call "cheap" foreign oil, would be able to find plenty to meet all peace and wartime requirements for many years to come. You argue, furthermore, that if you are not permitted to meet the peacetime requirements of the country, how can you be expected suddenly to expand output to meet emergency requirements.

Despite the merit of this point of view, it is my considered opinion that over the long term—say the next 30 years—the demands of the world for oil will require that we tap more effectively the resources of countries other than the United States. This is not meant to say that we shall slack up in providing incentives for further exploration and discovery in the United States. Certainly, we ought to do the best we can at home to discover and produce petroleum within the limits of wise, long-term conservation.

Minimum Interference

We are committed in this Administration to a minimum of interference in private business. The Under Secretary of State, Mr. Herbert Hoover, Jr., summed it up, in reference to oil, when he said:

"There are few more dramatic demonstrations of the vitality and resourcefulness of the private incentive system in the world today than that which has taken place in the petroleum field.

"Those countries which have nationalized their petroleum resources and have engaged in governmental operation have been constantly in technical, financial, and management difficulties. The cases of Iran, Argentina, and Bolivia are well-known examples of the point. On the other hand, the economies of Venezuela, Canada, Saudi Arabia, Iraq, and Kuwait, where private enterprise has been allowed to operate, have developed to an unprecedented degree."

In pursuance of this policy, the Administration is depending upon industry to regulate voluntarily the level of imports. So long as those voluntary efforts are adequate, the industry has a strong measure of insurance against governmental interference, whether it be administrative or congressional.

Foreign countries adopting the private enterprise philosophy in cooperation with the oil companies, should be able to achieve an orderly development of their oil resources without unduly impinging upon developments elsewhere in the world.

In the immediate future we are, however, concerned with problems of a different sort. They are the ones created out of an uncertain situation in the Mid East and in the world.

That they are serious ones, requiring sound thinking and planning by men of good will, must be admitted. The peoples of the United States and the Free World have an unquestioned right to expect just such conduct on the part of those whose responsibility it is to find the answers. And it is the sincere intention of this Administration to keep on dealing with these serious matters on just such a basis.

Five With Franklin

LOS ANGELES, Calif.—Leon J. Archambault, John V. Cvikota, John F. Fulfer, William M. Sprecher and Harold Stein have joined the staff of Samuel B. Franklin & Company, 215 West Seventh Street.

First Southern Adds

(Special to The Financial Chronicle)

MIAMI BEACH, Fla.—Roy M. Thomas has been added to the staff of First Southern Corporation, 350 Lincoln Road.

With West Fla. Secs.

(Special to The Financial Chronicle)

TALLAHASSEE, Fla.— Samuel T. Stafford has become affiliated with West Florida Securities Company, Inc.

Joins Security Planning

(Special to The Financial Chronicle)

WEST PALM BEACH, Fla.— Mozie L. Simpson is now connected with Security Planning, Inc., Harvey Building.

White, Weld Co. Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Henry B. Cabot, Jr. has been added to the staff of White, Weld & Co., 111 Devonshire Street.

With J. M. Dain Co.

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — John M. Evans has become connected with J. M. Dain & Co., Inc., 110 South Sixth Street.

Joins Shillinglaw Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — Nancy E. Jennings has become affiliated with Shillinglaw, Bolger & Co., 120 South La Salle Street, members of the Midwest Stock Exchange.

Two With Inv. Planning

(Special to The Financial Chronicle)

BOSTON, Mass. — Lena M. Chatsey and Irving Poll have joined the staff of Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Barclay Adds to Staff

(Special to The Financial Chronicle)

CHICAGO, Ill. — Stanley J. Gardyas has been added to the staff of Barclay Investment Co., 208 South La Salle Street. Mr. Gardyas was formerly with Leason & Co., Inc.

We Can Hope!

"I would say that our biggest problem basically is the problem which is expressed perhaps in the formula—peace with justice, and the renunciation of the use of force. Those are very basic, both because of our adherence to those provisions in the United Nations Charter and because that is article No. 1 in the North Atlantic Treaty.

* * *

"I believe that there is a growing understanding of the United States policies in world affairs which has dissipated some of the doubts that were entertained by some of the neutrals, and there is a more sympathetic acceptance of United States policies. We are not adopting the policy for that reason, we are adopting the policy because we think they are right enlightening policies, and because we feel that those are the policies to which we are bound by the Charter of the United Nations."—Secretary of State Dulles

John F. Dulles

It is, of course, not easy to know what is "justice" in such affairs as these. Renunciation of "force" has not so far always survived in the practical everyday world.

But mankind would certainly be served if some feasible substitute is developed for the "dog-eat-dog" practices so long ruling in world politics.

Continued from page 10

Investment Advertising's Status—Dead or Alive?

investment dealers themselves who merchandise this "package of American earning power." But here again there are many restrictions. Every piece of copy which mentions the words "mutual funds" or the name of a fund must be sent to Washington, D. C., where a committee of the National Association of Security Dealers screens these advertisements for the SEC. A mention of one of the big advantages of these funds—the periodic or accumulation plan of buying them in small amounts—can be made only if followed up with several warnings about ability to carry on the payments, etc. Dollar cost averaging, another popular feature of these plans, can be mentioned only in a very restricted way.

Your leaders in financial advertising today are the members of the New York Stock Exchange, which organization must approve all copy run by their members. Local regional exchanges also require prior approval.

Few, if any industries require that advertising by one member of the industry be censored by a committee representing the entire industry. While the restrictions of the Exchange are needed and good for the industry, they do prevent brokers from using some of the obvious appeals so successfully used by other types of advertisers.

For instance the word "savings" *per se* cannot be used. No recommendation can be made for the purchase of specific securities without providing or offering to provide information about the securities. There are other basic rules, all of which are considered essential to maintain the high ethical standing of the industry. Copy may be censored for many reasons. You cannot imply that income from investments *could* (and I use the word *could* not *will* or *can*) help finance a new home.

In California a state body, the Division of Corporations, also may disapprove of copy and must review all new issue advertising before it can be used. Any advertising which attempts to sell new venture securities, including booklets, circulars and advertisements must pass their scrutiny. Technically, all investment copy should be submitted to this body for their files. Other states have similar regulatory bodies.

Many media also either restrict or prohibit financial advertising of investment firms. Until last year, "Sunset Magazine" would not take copy of any nature, institutional or otherwise from investment firms, including J. P. Morgan themselves. Today they will take copy which is institutional after they have first examined and approved it, but you cannot mention a specific security or the company whose shares you recommend. You might want to sell ownership in the Telephone Company as a good conservative investment, but you could not do so in "Sunset." The "Saturday Evening Post," and some other magazines also screen investment copy and the New York "Times" requires a new advertiser to fill out a lengthy questionnaire before accepting his copy.

Many Do Not Consistently Advertise

Investment advertising is only half alive for other reasons. There are still many investment firms who do little or no advertising at all. One of the nation's largest investment firms with offices from coast to coast openly admits they do not believe in any consistent advertising, limiting their efforts to announcements or occasional special ads featuring reports turned out by their firm. If this firm were spending the same proportion of their gross commissions as their competitors they would probably be spending over $100,000 annually on advertising.

Other investment firms are still advertising more or less in the style of the '20s and feel that dignity is the only thing that counts in any promotion they do. They have failed to see how other institutions like banks have humanized and modernized their advertising. Still other firms have somewhat modernized their advertising but still cling to the tradition that "Old Hat Advertising Pays Off in Wall Street."

As a matter of fact that is the very title of an article in "Printer's Ink" which features the story of one of the nation's larger investment firms.* In this article the advertising manager of the investment firm defends his colleagues against the frequent criticism of Wall Street advertising. He insists that financial ads must be conservative. He even says that "consumer-type appeals may be not only ineffectual but downright dangerous." Here is a leading investment firm which tells readers of "Printer's Ink" that the basic desire for money must be treated cautiously and that it is like sex in this regard. He ridicules the idea of appealing to the senses, of stressing emotion, snob appeal, etc., as out of the realm of financial advertising.

As an example he says in a joking vein "Stress emotion? (Show her your love with a block of AT&T)."

Refers to Insurance and Banking Advertising

Well, this is not as ridiculous as it seems particularly if the very same appeal he ridicules is used sensibly. Take for instance a full page advertisement appearing currently in the New York "Times Magazine" and other supplements. Here is a couple with the boy friend obviously trying to win over his girl friend into the holy state of matrimony. The heading reads . . . "Not only that, but I'll Start a Monthly Investment Plan." Of course, most readers recognize this as a rather far-fetched approach to winning a girl's hand but it does set the stage in a human interest way for the Exchange to explain a very popular investment plan.

Getting back to the article on "Old Hat" advertising—the writer scorns the idea of snob appeal. He writes . . . "can we say the smart set is switching to convertible preferreds?" I say *no* we wouldn't say such a thing but there is certainly a wonderful opportunity for some alert financial firm to use case histories or testimonials to show how successful (if not social) people have made investing a part of their financial program. Ads could show them by their beautiful new home or enjoying leisure and other evidence of success with a reference (even if indirect) that investing played a part in their success. If the insurance companies can do it (and one of them has a very effective campaign along this line)—why can't brokers do it? If the United States Government can get a little emotional with their savings bonds advertising, why can't brokers open the stops a little.

This old hat advertiser writing in "Printer's Ink" gives these sample headlines used by his firm:

"How to Meet Uncertain Market Conditions."

"Do You Make This Mistake in Investing?"

"Consider Buying Tax-Free Bonds Now."

"Ten Reasons for a Bull Market."

Appeal to Inexperienced Investor

This type of appeal is typical of many brokerage firms' advertising today and I think explains to a great extent why investment advertising is only half alive. These headlines have some appeal to an experienced investor but usually one who already probably has a brokerage account with another firm, and doesn't switch brokers any more readily than he does insurance agents or banks. Such headlines overlook the really important investment market which must be cultivated by brokers today . . . those who do not own stocks and those who are completely unfamiliar with investing and its rewards. Just how big and how profitable is this untapped market? Three comprehensive opinion surveys conducted by the New York Exchange indicate that in the first place only one out of ten families own stock although 90% have some other form of investment such as life insurance (82%). Less than one out of four adults know what common stock is and only half the adult population knows the location of a brokerage office. Some 16 million households who do not own stocks would like to know more about them. Some 40 million think more people should own stock and about four million non-shareowning households actually considered buying stock last year but thought they should know more first.

Now—is this untapped audience profitable to a brokerage firm? Can they all afford to invest? Are they the type which shouldn't take some of the risks necessary to invest? Many of them do fit into one of these negative categories. But I think it's interesting to note that **65% of people earning $10,000 or more a year have never been contacted by an investment broker.** Also significant is this interesting fact which the surveys discovered: Many people in the upper income ranges from $7,500 to $75,000 a year do not own stock. For instance, four out of five doctors, lawyers, major and minor executives, engineers and salesmen do not own stock in publicly-owned companies.

While some advertising must be directed to the sophisticated and experienced investors, how, oh how, can you reach new investors with headlines like "How to Meet Uncertain Market Conditions" or "Ten Reasons for a Bull Market."

Stockholders Are Getting Younger

Many brokers also fail to realize that stockholders are — in effect — getting younger. The average age is 48 versus 51 in 1952 and of 2,140,000 names added to brokerage rosters in the past four years the median age is only 35. I think this indicates the need to modernize brokerage advertising.

Unfortunately, a great volume of investment advertising today is merely an attempt to "push" a particular stock by offering a study, booklet or research report. A fair percentage of a broker's advertising budget should be used for this purpose, since it will draw coupon leads or other inquiries from experienced investors who want that study or want to know what stock is being recommended and why. The idea behind this type of advertising is, of course, to get inquiries and possibly sell the interested person in buying a particular stock. But many investment firms are merely "publishing houses" whether they are grinding out mimeographed reports on one sheet or compiling a comprehensive industry study for distribution to investors. In a recent edition of the Sunday New York "Times" 10 out of 13 brokerage advertisements on the financial pages were offering a report on some stock.

How to Make Advertising Succeed

What is needed today to waken up investment advertising . . . to make it really come alive?

First: Most copy should be written so that the financially illiterate can understand it.

Second: I think many brokers must take a fresh look at the potential market among new shareowners for selling securities and aim some of their advertising at this market.

Third: More brokers must modernize their advertising and use techniques which tend to produce more interest and readership. There are ample studies which show the increased effectiveness of using photographs, better and more art work and good design in advertising.

Fourth: More copy should be devoted to first selling the idea and advantages of security ownership.

Fifth: Advertising which features the actual end results of investing can be used effectively to show the things that sound investing makes possible.

Sixth: In a business in which most of those in it offer the same merchandise at the same price, efforts should be made to develop and advertise competitive advantages wherever possible. Examples might be: more thorough training of salesmen, extra services, such as a transcribed stock market report, more experience in handling certain types of transactions such as mutual funds, a better staffed and more experienced research department, a more complete quote board, or even location.

Seventh: Media heretofore never used by investment advertisers should be explored. Several financial advertisers have reaped excellent results from radio. One has used it for over 20 years. One very small investment firm found out that television could be used with excellent results in a small valley town in California.

Eighth: Since the securities business is a service business and to many investors, brokerage firms all appear to be alike, it would be well for some firms to strive to create a personality or a company character which identifies them from others. Sometimes it can be done with the help of advertising and the impression created in the advertising and other promotion done by the firm. Slogans, which emphasize the firm's policy and selling philosophy can help. Sometimes it's a copy theme—like "The Man From E. F. Hutton"— or it might be achieved through a consistent use of human interest type copy or, as a Tulsa bank has done, by featuring their services in newspaper advertising just as department stores feature their top merchandise.

Ninth: There is a broad area of good will and confidence that can be created by offering in advertising to utilize the program planning approach. There are people who have only a hazy idea of what they want when it comes to buying securities. Haphazard methods of purchasing and selling securities without a financial goal leaves them with a feeling of insecurity. As one well known brokerage firm says in the lead of its "Sunset Magazine" advertisement: "Careful planning pays off whether you're building a new home or investing." The firm that offers to perform a service like this—like the insurance companies do—can create a fresh new interest among many investors who have only seen and heard appeals to buy a specific stock.

Tenth: There are still far too many people with the means to invest who are reluctant to enter a brokerage office. One highly placed executive with a radio network once remarked to us: What would happen if I were to walk into a brokerage office. The Invest in America Week program has helped lift this veil of mystery but many brokerage firms do not participate in it or take only a passive interest in it. Advertising which invites the reader to come into a brokerage office, and tells them what to expect when they do, is needed.

These suggestions to awaken investment advertising from its semi-comatose state would bring about a new look in investment advertising. But a new look is needed to interest more people in owning a share of business. "People's Capitalism" must be better merchandised if we are to raise through equity financing the $60 billion needed to buy tomorrow's plants and tools.

*Paine Webber Jackson & Curtis.

Yearley Elected to NASD Bd. of Govrs.

ATLANTA, Ga.—Alexander Yearley, IV, The Robinson-Humphrey Co., Atlanta, has been elected to the Board of Governors of the National Association of Securities Dealers. He served on NASD's District Committee No. 9 (Alabama, Florida, Georgia, Louisiana, Mississippi, South Carolina and Tennessee) from 1953 to 1956. He was Vice-Chairman of the committee in 1954 and Chairman in 1955.

Alex. Yearley, IV

Elected to serve as members of District Committee No. 9 were: Gus G. Halliburton, Equitable Securities Corp., Nashville, Tenn.; Malcolm M. Manning, V. M. Manning, Greenville, S. C.; and William S. McGinness, Elder & Co., Chattanooga, Tenn.

Carroll Gunderson

Carroll A. Gunderson, aged 59, Senior Deputy Manager and director of its Department of Government Relations of the American Bankers Association, died suddenly Dec. 2 at his home in Hunting Towers, Alexandria, Va.

He joined the American Bankers Association in 1944 as Secretary of the Small Business Credit Corp., with headquarters in Chicago, and in 1947 was transferred to New York where he also became Secretary of the Association's Credit Policy Commission. In 1950 he was made Deputy Manager of the A.B.A. and became Secretary of the Association's National Bank Division. In 1952 he assumed additional duties at the Association's Washington office and in April, 1956, was appointed Senior Deputy Manager. On Nov. 1, 1956, he was named director and Chief Administrative Officer of the newly created Department of Government Relations, with headquarters in Washington, D. C.

J. C. Flax Adds

(Special to The Financial Chronicle)

SPRINGFIELD, Mass. — Robert F. Dionisi has been added to the staff of J. Clayton Flax & Co., 1562 Main Street.

Join J. D. Creger

WHITTIER, Calif.—Frank Bayon, Jenevieve W. Bristol, Fred L. Elmer, Boyd G. Jensen and Robert L. Pluemacher are now with J. D. Creger & Co., 124 North Bright Avenue.

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New Capital Formation Outlook For 1957 and the Years Ahead

of sharply rising building costs, it is not going to be easy to offer any bargains in this respect. I expect the builders **will make** some progress in offering more house for the money, just as I expect some easing in credit to help home purchases. But the prospect of a **large** improvement, **early** in the year, is not good.

Consequently, I must put down homebuilding—along with inventory—as a neutral factor in the investment outlook. And I will turn to what seems to me the truly dynamic area of this outlook, which is the demand for new plant and equipment.

Why Plant Expenditures Will Rise

For five years now—with only a minor setback in 1954 — this type of capital spending has been in a dynamic uptrend. **Business is spending about 50% more for new plants and equipment this year than it did in 1951.** And manufacturing capacity has increased nearly 50% in that time. There are always those who ask: How long will it go on?

I cannot say exactly how far this wave of capital spending will go. We shall have a much better idea one month from now, when we get the results of our fall check-up on company plans for 1957 and 1958. But the advance signs for 1957 are very favorable —so favorable that I would like to list them, as indicating another large gain for next year:

(1) **As far back as May, 1956,** when we took our last survey, business had plans to spend as much in 1957 as in 1956.

(2) **All the plans for 1956 have not been carried out.** Shortages have delayed construction—taking something off the 1956 figures, and adding to plans for 1957.

(3) **Meanwhile, the steady flow of new products** and new processes has created new opportunities for capital spending. Many such additional projects are being considered, as firms make up their capital budgets for next year.

(4) **Prices of capital goods are up about 7%** in the past year, and there may be further increases in 1957. So plans will be figured at these higher prices. This is not a happy sign, but it does add to the dollar amounts to be spent, if companies can raise the money.

(5) **New orders for capital goods** have exceeded production during 1956, and backlogs for future delivery are now higher than a year ago. In some cases, the backlogs stretch into 1958.

These are statistical indicators of investment in 1957. And they indicate that a rise, over the coming months, is as close as we can get to a sure thing in business forecasting. But we at McGraw-Hill are constantly impressed by the longer range vitality of this boom — a vitality that springs from the revolution in industrial technology which it is our business to observe and report. Each year, there are more new processes to be installed, more new products that call for special production equipment. Capital spending today does not depend on a few spectacular inventions —as perhaps it did when these inventions were the result of occasional inspiration, rather than organized research. **We now have a $6 billion per year progam of industrial research and development** that is creating new products and process changes every day of the year.

Research will bring **immense changes in our production techniques** over the next 10 years. We are inclined to think of "automation" as the last word in technology. But even the highly automated lines for metalworking which we see here in Detroit are destined to be replaced within a decade. Eventually, most of our metalworking operations may consist of continuous casting, molding or stamping—with powdered or fluid metals replacing solids.

In the chemical process industries, we are just beginning to research the possibilities of atomic heat, greater pressures, and better catalysts. The steel industry is considering new developments that would do away with blast furnaces, coke ovens and other traditional equipment. The paper industry finds it can use woods and wood wastes that formerly had little value, to make the finest papers. No company can miss these new developments —in any industry—and stay competitive.

The pressure to bring new products on the market is even more intense. In the consumer durables industries, almost half the companies we survey reported significant capital expenditures to make new products in 1956. In the chemical industry, it was two-thirds. Companies that have lagged in new product development almost uniformly report a step-up in their research programs. This means a step-up for industry as a whole. And you can get an idea of what it means from the announcement that it cost $240 million to "tool up" for the 1957 Ford.

What Can Go Wrong?

Can anything turn back this wave of capital spending? Can anything go wrong? Well nothing will wrong the **urge** to spend, if these research programs continue. But something may go wrong with the **ability** to spend. **Suppose we get too much capacity for the conventional "bread and butter" products, and produce more than we can sell.** That would mean price-cutting, lower profits and less cash to finance expansion, or new products. **Could this happen in 1957?**

According to our McGraw-Hill index, manufacturing capacity is now 50% greater than before Korea and almost twice as great as at the end of World War II. Are we building too much?

Aside from the statistics (which we are trying hard to improve) there are some important things to say about the nature of capacity. **A great deal of capacity consists of obsolete, high cost plant and equipment.** Industry does not scrap these facilities, because they are nice to have around in a boom or an emergency of any kind. But they are intended to be a reserve, not to operate in normal circumstances.

Also, changes in the products a company sells can reduce its capacity very quickly. The auto industry apparently has achieved a capacity of eight or nine million cars a year every year since 1950. But the 1950 plants could not produce the 1953 cars, much less the 1957 cars. And the 1957 plants will not produce the 1959 cars. They are too long to fit on the old assembly lines—just as they are too long to fit in your old garage. Thus, in one way or another, quite a lot of capacity is absorbed in building better—or at least, bigger—products, instead of more of the old product.

Long-Run Capital Outlay Look

None of this means that we can go on adding 8% to capacity every year as we did in 1956, and plan for 1957. I would not assert that when we meet next year, conditions will favor another great surge of manufacturing capacity. The expansion that began in 1955, and still continues, will put in place the reserve capacity most companies want for the near-term. **Over the next few years, wise expansion is likely to be gradual, to be more in line with growth in population and incomes.**

This does not imply that business capital expenditures will necessarily decline. In fact, they may continue to increase . . . subject to many hedges (which I will omit) about general business. It is costing more to achieve **any** given increase in capacity. The constant turnover of products and processes means that every time we build a new plant, we have to re-build or rearrange several old plants that feed into it. Also the new plants tend to be more complex. They have more automatic conveyors, better lighting, air conditioning, safety devices—tools that run at greater speeds, with more precision and automation, and miles more of electric wiring, instruments and controls.

I could go on for some time about the large amounts to be spent for replacement and modernization, and about the need to expand production in non-manufacturing industries, such as fuel, power and minerals. But time does not allow. I hope the few examples given will make clear why the rise in manufacturing capacity does not foreshadow a collapse in the investment boom. It will not leave us without opportunities for new investment. If the build-up of capacity goes too fast in 1957, expenditures may indeed slow up in some future year, but in our economy of innovation, the pause cannot be for long.

Meanwhile — in 1957 — we are assured of a rising trend in business investment, and of a powerful support to the general business boom.

With Davis, Skaggs

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Carl B. Johnson, Jr. is now with Davis, Skaggs & Company, 111 Sutter Street, members of the San Francisco Stock Exchange.

F. I. du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Benjamin M. Copenhaver has joined the staff of Francis I. du Pont & Co. 317 Montgomery St.

Two With Hannaford Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — James M. Turner and Kathleen C. Wade have joined the staff of Hannaford & Talbot. 519 California Street, Miss Wade has recently been with H. L. Jamieson Co.

Joins Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif — Frank L. Higgins has become affiliated with Hooker & Fay, 221 Montgomery Street, members of the New York and San Francisco Stock Exchanges. He was formerly with White, Weld & Co.

With Mitchum, Jones

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif — Donald R. Mayo has become connected with Mitchum, Jones & Templeton, Russ Building.

Reynolds Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Daniel K. Turner has become associated with Reynolds & Co., 2150 Franklin Street. He was formerly with Mason Brothers.

Securities Salesman's Corner

By JOHN DUTTON

How to Develop Creative Ideas

If you will accept some amateur psychology this week, I will pass certain suggestions along to you which are based upon personal experience, both in my own case and that of quite a few of my friends who have been in the investment business as salesmen for many years. It is an important subject and points up a problem that nearly all men who are engaged in dealing with other human beings must face and solve from time to time. Certainly the investment business is demanding, changeable, volatile, and charged with tension, and emotion; and an investment salesman must deal with all of these intangibles and retain his ability to think clearly and act with decision. Let us be more specific.

The motivation for this column comes about through a visit of a young high school girl and boy to our office this past week. They were sent by the Chamber of Commerce to spend a day and see what goes on in an investment firm. As they watched the transactions take place, and overheard the conversations among the various salesmen and their clients as the day wore on, the young lady said to me, "My father is in this business, he is with a large stock exchange firm. I have heard so much about it for the past few years my mind comes back to it as an interesting type of work. Yet, I see so much tension connected with this business. It isn't an easy type of work, is it?"

I asked her to tell me why she thought so and she replied, "It seems as if my father is often so very preoccupied. Sometimes he comes home and my brother and I may talk with him and he doesn't seem to hear us. Then he listens to the news and we all have to keep quiet. He is always on the alert. People call him at home and his customers worry when their stocks decline and so does he. He seems to live with the market and his work."

The Human Mind Isn't Something You Can Turn On and Off At Will

It is one thing to read a lot of books about thought control, how to live without concern, and many of these very attractive ideas about mental health; but I believe that most men who have been successful in creating a sound investment clientele have been subjected from time to time to nothing else but old-fashioned mental overstress and strain that is bound to affect their efficiency unless they obtain some rest from the constant routine of study, decision making, and normal stress connected with this business.

The mind will follow a rut unless it is diverted. You can study balance sheets and income accounts and do it for a while, but sooner or later your mind will rebel. It will wander no matter how much you have developed the power of concentration. You can overdo your efforts toward your objectives and you will find that your efficiency drops. You can wind yourself up with concentrated application to your job day after day, and before you realize it, you are running your mental motor so fast that it begins to operate when you sleep, when you eat, when you shave, when you drive your car, and when you are in the company of your family and friends.

There may be a few fortunate individuals who can control this tendency but I know of many other successful salesmen who find that they must guard against an overdose of getting too close to their job, too heavily immersed in their problems and their solution, and, recognizing this tendency, they have learned how to shut off the motor and give it a rest for a while.

Change Your Activities

Give your mind a rest by changing its focus and direction. The human brain cannot think about more than one thing at a time. Some men find fishing a great relaxation because it demands concentration on the line, the bait, the tide and the fish. It's a change. Others take up a game of cards, watching a sporting event, listening to good music, playing some golf, or painting a picture. These things and other activities like them are good because they give a tired, overworked mind a chance to rest. Not only is life something we should live seriously and work at but it is also something we should enjoy. Work can only be enjoyed when it is entered into in a spirit of confidence, relaxation, and creativeness.

It is constructive creativeness that will enable you to do a good and effective day's work. But this ability will come from a rested mind, and a fund of energy that has been replenished by some healthy change and diverting activity. Don't overlook and begrudge the time you take away from your work. But play as hard as you work and your ability to create and do a better job will more than make up for the time you have spent in recharging your mental batteries. You will work better if you play better and if you do it regularly.

Joins Walston Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Robert Wheeler Dent has been added to the staff of Walston & Co., Inc., 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Walter Klemenok has been added to the staff of Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Rex Merrick Adds

(Special to THE FINANCIAL CHRONICLE)

SAN MATEO, Calif. — Jordan Grane has been added to the staff of Rex Merrick & Co., 22 Second Avenue.

Now With Harris Upham

(Special to THE FINANCIAL CHRONICLE)

STOCKTON, Calif. — David H. Schwartz has become affiliated with Harris, Upham & Co., 25 North Sutter Street. He was formerly with Walston & Co., Inc.

P. J. McNutt Opens

JEFFERSON, Ohio — Porter J. McNutt is engaging in a securities business from offices here.

Md. Diversified Inv.

BALTIMORE, Md. — Maryland Diversified Investment Co. has been formed with offices at 2026 Maryland Avenue to engage in a securities business. Walter Unger is a principal of the firm.

Now Mutual Inv.

FT. LEE, N. J.—The firm name of Investors Service, 230 Main Street, has been changed to Mutual Investors Service.

Continued from page 20

Conservative Economic Policy —A Current Appraisal

speed up our own expansion. Whatever the future may hold, we dare not let ourselves be overtaken.

Another and more congenial urgency arises from the great many things still to be done in our own country. Education, health, housing, roads, raising of the lowest income brackets, all demand a rapidly growing national income. Growth also serves as a substitute for greater equalization, if all participate in it. The enlargement of the cake softens the argument over the size of the slices.

Granted that growth is urgent, shouldn't a conservative government rely on natural forces to supply it? Isn't rapid growth an outstanding characteristic of a free economy? The answer, like so many in economics, is yes and no. Our economy has turned in a fine performance in raising income and living standards. It has done this primarily, however, because American consumers and businessmen have saved and ploughed back into the economy part of their income. Had they decided to consume more of current output and save less, growth would have been less. The economy would still have done well by us, by making the most efficient use possible of the resources that existed. But the system does not decide by itself what percentage of output is to be ploughed back to create new resources. Precisely because it is a free system, this decision is in the hands of its users. A free economy, therefore, may be operating with high efficiency, and yet have little growth—if little new capital is fed into it. By the same token, an inefficient economy, such as the Russian, may nevertheless advance rapidly if living standards are held down so as to allow a high rate of investment.

A free economy, therefore, does not assure fast growth under all circumstances. What can be done to create circumstances favorable to growth? The first and biggest ingredient of an active growth policy is the obvious one of staying out of depressions. Our success in this endeavor since the war should not blind us to the very real difficulties that we may encounter farther along the road. But accelerated growth is only one of many compelling reasons, of course, why everything must be done to prevent a new disaster, and we have cause to believe that if we avoid speculative excesses, we can also stave off a severe depression.

The second step toward accelerated growth would be to invigorate the body economic—to expand its little grey cells, through more education and research, to quicken its reflexes, by removing rigidities and sharpening incentives. Conservatives will want their government to move circumspectly, however, and to leave private enterprise the elbowroom it needs.

Capital Formation the Core

But important as these things are, they are not the core of the question. The core is capital formation. To get the expansion we want, we must invest more. Over the last five years, investment in the American economy has run at a rate of about 15% of the gross national product. In a relatively poor country like West Germany, it has been averaging 25%, even after reconstruction war largely completed. The result: Germany's gross national product has advanced 7%, ours, 3 to 4%.

How much an economy invests depends partly on incentives—profits, markets, new techniques, competition—and partly on the savings that become available. Incentives and savings are both strongly influenced by the tax system. High personal and corporate rates take some of the zest out of the hunt for profit. They also take some of the wherewithal that large and small businesses and wealthy individuals might otherwise put into such ventures.

This is a conclusion at which one arrives reluctantly, because it seems to open up a conflict between social equity and progress. If we try to even up the income distribution by means of progressive taxation, we reduce savings and curtail investment incentives and so slow down growth. If we want to accelerate growth, we have to accept inequality of income. Yet this conflict is easier to resolve for the conservative than for the liberal, the conservative being more concerned about equality of opportunity than equality of shares. From a dollars-and-cents point of view, it is quite obvious that even those who find themselves at the short end of inequality have more to gain over a period of years, from faster growth than from any conceivable income redistribution. A speed-up in real output of only one extra percent per year will soon lift even the economically weakest into income brackets to which no amount of redistribution could promote them.

The conservative social conscience is put at ease by this observation. Political thinkers have sought to defend differences in income and wealth on grounds of natural law, or property rights, or simply as one of the facts of life. For the economist, economic inequality acquires a functional justification thanks to the growth concept. Its ultimate results benefit even those who at first seem to be losers.

Inequality Becoming Blunted

Inequality is losing its sharp edge, moreover, thanks to the reshaping of our living habits by modern technology. Not the least among science's miracles is the way in which it has shrunk the difference between living standards. The basic mechanics of life in the $5,000 and the $25,000 household have become very similar. The $25,000 home contains better models of the same equipment and a few more frills, its owner enjoys a few exclusive luxuries. But as contrasted with 50 years ago, the closing of the gap is startling.

The challenge of rapid growth, which we have been discussing so far, is intimately connected with a second issue that conservative economic policy will have to meet: the problem of inflation. In its early stretches, inflation looks like a primrose shortcut to rapid growth. The proponents of this route argue—not always consistently—two positions. Some of them say that inflation is positively desirable because it bolsters the prospects of business and so encourages investment. Others accept inflation with moderate reluctance, as the inevitable byproduct of an expansionary policy. Both share the belief that all the fuel that easy money and big government spending can generate should be pumped under the boilers to keep pressure at a peak. This high-pressure economy, it is argued, will bring every last available resource and unemployed worker into production. By pushing output to its absolute maximum at all times, we shall also get the fastest rate of growth. About the degree of inflation that this procedure would involve its supporters differ, but few deny that we would feel it.

Inflation—Crime and Mistake

Conservatives cannot accept this forced-draft type of economy. The path of inflation to them looks like a short cut into a blind alley. In the words of Talleyrand, when Napoleon ordered the shooting of a member of the Bourbon family: "It is worse than a crime, it is a mistake." Deliberate inflation, if not a crime, is at least of very debatable morality, because it involves an attempt to deceive people, and works hardships on those least able to defend themselves: the unorganized, the dependent, the old. Very probably it is also a mistake, like most attempts to fool all the people all of the time. For a few years, quite likely, the inflationary prescription may work. The economy, working under full steam and with the safety valves tied down, would expand more rapidly. But eventually, these forced-draft measures will exact their penalty. The lid may blow off, control of inflation may be lost altogether, the economy may spiral off into chaos. Or if this escape is blocker, we may see incentives dulled by overfull employment and perennial sellers' markets, while rising prices discourage saving and distort investment motivations. The economy then slows down. In the long run, enough friction and imbalance may develop to plunge it into a deep depression. No one, of course, can predict with assurance how soon and how intensely any of these repercussions would make themselves felt. But the prospect is there—an incalculable risk and for that reason all the more distasteful to conservatives.

Controls Follow Inflation

Among the most likely—and probably earliest consequences of inflation are economic controls. Price and wage controls, material allocations, foreign trade and currency controls might help stave off the evil day when the final bill for an inflationary boom is presented. But they would not stave it off forever, and they are in themselves alien to the economic and political temper of the American people. Pursued to their bitter end, economic controls would threaten even our political liberties. That risk is too high a price to pay for accelerated growth when there are other ways open to us.

The threat of inflation then is another great challenge that conservative policy must meet. Most people, given the unpleasant choice between inflation and depression, would probably take inflation. Even Secretary Humphrey, when hard pressed at a Congressional hearing by Representative Patman, came out for jobs over stable prices. This is no more than the instinct of self-preservation—sharpened by the devastating experience of the 1930's. Yet historians tell us that inflation far oftener than depression has preceded the breakdown of great nations. Conservatives believe that their policies can relieve people of the choice between inflation and depression and can eventually convert the boundary line between the two, which often looks like a razor's edge, into a safe, solid thoroughfare.

A third challenge to conservative economic policy will be the strengthening of the American enterprise system. This is a challenge of a nature different from those posed by growth and by inflation. It concerns the enduring structure of our economy, rather than the current functioning. It is all the more basic for that reason.

In the conservative view of things, free enterprise is more than a method of producing goods and services. It is a way of life. Free enterprise is a highly efficient economic system, but above all it is the system best suited to a free society.

The Alternative

In the United States, the alternative to free enterprise is not socialism, in contrast to Europe, no one seriously questions private property. The alternative is a more centralized system, in which the government would play a stronger role. We know from the experience of two wars that such a system can be effective in an emergency. When we had to speed up output in a hurry, we converted from private enterprise to government control. But we know from the same experience that, to be effective, such a system must employ strong compulsions. By rationing the consumer, by controlling production, prices, and wages, a centralized economy can turn out a lot of goods—for fighting, or perhaps for investment. We also have an inkling, however, of how the American people would react to such methods in peacetime: evasion, black markets, and open defiance would quickly settle the issue against government control and in favor of economic freedom.

The proponents of the centralized approach tell us that their system need not involve compulsion. Certainly there is no need to see serfdom staring us in the face every time some government bureau issues a regulation. The British were living under a system of bureaucratic control for years after the war and seemed to be losing none of their freedoms—other than that of spending their money on what they wanted. But what of the effectiveness of such a system? We have every reason to be skeptical. In all probability we would have the worst of two worlds—the freewheeling consumption and relatively low savings of the free economy, and the loss of initiative and the frictions of the controlled system. Conservatives conclude that free enterprise is superior economically to democratic control, and a better way of life than an effective but dictatorial regime.

To call free enterprise a way of life is more than a pretty phrase. It is a call for action—sometimes of a painful sort. If we are concerned chiefly with a way of life, broad human values must be the focus of efforts to strengthen the enterprise system.

To begin with, successful conservatism must keep its policies in line with the changing pattern of American life. The United States, for the most part, is now a thoroughly urban and industrialized community—a century removed from the nation of independent farmers and small traders that it started out to be. It is very rich, and yearly is becoming even richer. From these familiar facts flow needs, opportunities, and obligations.

The social and economic problems of an industrialized urban society cannot be solved by *laissez faire*. Whatever the beauties of its abstract logic, as a practical proposition *laissez faire* long ago joined the dodo. There is no place for it in modern conservative philosophy. Ours is a mixed economy, in which the government plays a large role. To this fact we largely owe the good functioning of the economy since the war. Conservatism today must accept most of the changes of the last 25 years, and must go on from there to improve them and to initiate further constructive action of its own.

An industrial urban society needs broad social security coverage—unemployed workers can't go home to the farm, and the aged can't go to live with their children. It needs protection against illness—medicine is no longer in the stage of simple remedies bought for little money. It needs better housing—the social conditions of urban living create strains that are not solved readily by supply and demand. It needs more education. And fortunately, the prime mover of all these needs—our growing economy—also enables us to afford them.

The Place of Government

Many of these expanding requirements can be filled by private enterprise, and as many as can should. Much, however, will have to be done by government—local if possible, Federal if necessary. Is this a march into socialism? Those who take that view disregard the dynamics of a free economy. They overlook the fact that changing living conditions and greater wealth create new situations. It happens that some of the things for which need increases with rising income are of the kind that, in Lincoln's phrase, the people cannot do so well for themselves and which the government can do better. Should private enterprise be the dog in the manger and object to anything being done that it cannot do itself?

What counts is that these things that a rich economy can afford be done in a way that preserves incentives. There is no greater difference in the world than that between a man who is trying hard and one who is not. To keep alive the play of rewards and penalties, we must not make unemployment more attractive than hard work. We must not make illness, imagined or real, more profitable than good health. But when the living standards of the great bulk of the population are rising further and further above what used to be called subsistence, there is plenty of room for decent social services without risk of softness.

The shape of the American society is changing, and our ideas of where right leaves off and left begins must change with it. Those who look at it with the eyes of the past may call that a dangerous trend. To our grandparents we are all leftists. But these are the consequences of a successful, dynamic economy. Those who speak of socialism do their economy and its performance poor justice. They also underrate the capacity of a free economy to adapt itself to the changes of its own making.

A further touchstone of conservative sincerity in calling free enterprise a way of life is equality of opportunity. We have equality today for the highly talented. A really bright boy can get an education and can get to the top in any walk of life, no matter where he starts. We do not have it for the moderately talented. A moderately talented son of an Ivy League alumnus will go to his father's college and spend his life in a reasonably good job. The moderately talented son of a working man stands a good chance of being overlooked by life. More education, and easier access to it, is the key. Progress in racial integration, as fast as is possible without social and political disintegration, is another step toward fuller equality of opportunity.

Still another requirement for free enterprise as a way of life is to be serious about free markets, competition, and decentralization of power. They are the simple but potent devices by which we call forth initiative, ensure fair treatment to all who participate in the economy, and ultimately safeguard our freedoms. We shall never achieve perfect competition nor perfect markets. But unless we work at them everlastingly, we shall in time have very little of either.

The Objection to Bigness

This calls for steadfast application of the anti-trust laws, not to combat bigness as such, but to ensure that bigness does not become monopoly. It means giving small business a chance—through the tax system, through government contracts, through monetary and credit policy. It means further progress toward a self-supporting agriculture through flexible price-supports and the ending of our habitual crop surpluses. It means willingness of industry and labor to face competition not only at home, but also from abroad, through gradual tariff reduction. Lastly, it means preference for private or local action over Federal wherever possible without great sacrifice of efficiency.

These are, it seems to me, the main elements of a conservative economic policy. If conservatism makes progress on these fronts, it will incidentally help to solve a problem that today preoccupies many conservatives as well as liberals—the conflict between the intellectual and the businessman. We have the anomalous situation that the chief protagonist of the American economy is barely accepted by the intellectual as a proper member of the community. I forbear to be explicit about what I believe to be the view of many businessmen about intellectuals. Yet the fact is that the main contribution of America to the world so far has been, not art, nor science, but the production of material wealth. The businessman, as the organizer of production, has been the agent of this contribution.

We need not enter into the reasons for the conflict. Some have disappeared in recent years, and the distance that separates the two sides has narrowed. In this process, the businessman has perhaps come the longer way. An enlightened conservatism can do much to close the gulf further.

Here, as elsewhere, conservatism must develop forward looking policies. If it fails to do this, if it does not make free enterprise a way of life satisfactory to all, the present conservative trend will be only a brief interlude. Conservatism has a great responsibility to regulate change according to experience and mature deliberation. It has a unique opportunity: to move forward on a road that will unite the country instead of dividing it. If it is successful, it will accomplish that most constructive of all political performances: conservative evolution.

Halsey, Stuart Group Offers Dallas Power & Light 4¼% Bonds

Halsey, Stuart & Co., as manager of an investment banking group, on Dec. 4 offered $10,000,000 Dallas Power & Light Co. first mortgage bonds, 4¼% series due Dec. 1, 1986, at 100.848% and accrued interest to yield 4.20%. The underwriters won award of the bonds at competitive sale on Dec. 3 on a bid of 100.09%.

Net proceeds from the sale of the bonds, and from the sale last month of 31,835 additional shares of common stock, together with funds derived from its operations, will be used by the company for the construction of new facilities during the remainder of 1956 and in 1957, and for other corporate purposes.

The new bonds will be redeemable at general redemption prices ranging from 105.85% to par, and at special redemption prices receding from 100.85% to par, plus accrued interest in each case.

Dallas Power & Light Co., a public utility operating wholly within the State of Texas, is a subsidiary of Texas Utilities Company, and is engaged in the generation, purchase, transmission, distribution and sale of electricity. The company supplies electric service to the Greater Dallas area, and adjacent unincorporated areas, all in Dallas County, Texas. The present population of the territory served is estimated by the company at 660,000.

For the 12 months ended Sept. 30, 1956, the company showed total operating revenues of $38,057,000 and net income of $8,010,000.

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Foreign Economic Policy—Sins Of Commission and Omission

what private United States investments contribute to other countries, and fair treatment for those investments.

Negotiating Treaties

Progress also has been made, slowly, in negotiating treaties with foreign governments to establish common rules on the fair treatment of foreign investment. Five treaties were in existence when the Randall Commission made such a recommendation. Three have since entered into force, four more have been signed by the United States, and it is my understanding that three others are now under negotiation.

A third Randall Commission recommendation, for extension of the program of guarantees against expropriation or inconvertibility of exchange, has been a rather controversial subject. However, the Congress has again authorized extension of the program, and provided it with additional funds.

The greatest shortcoming, however, is the area which I consider by far the most important—tax policy. Without discussing in detail the proposals that have been made, and the reasons for them, I would like to point out that the Randall Commission recommendations for tax revisions were not designed to give special benefits to investments abroad but were recognition of the fact that income from such investments is by its nature different from domestic income. As the Commission phrased it, the recommended changes were to "provide an inducement to foreign investment by removing certain United States tax burdens and inequities."

The President twice has sent messages to the Congress urging legislation based on these recommendations. Unfortunately, so far the Congress has not acted, although exhaustive hearings have been held. Some day, perhaps next year, the needed changes will be made—at least, I hope so.

Investment Considerations

The policies and actions of our own government, essential as they are, diminish somewhat in importance when we turn to a consideration of the policies of foreign governments toward United States private capital. The management of an American company, trying to decide whether, and where, to risk the shareholders' investment abroad, must take into account many more factors than for a similar investment in this country.

The stability of the government, internal security and the protection of individual freedom, the efficiency and promptness with which the government functions, foreign exchange restrictions, discrimination against foreign capital in favor of local capital or of a government-owned enterprise, the existence of government-sponsored cartels — all these and many more need to be considered.

Most important, of course, in international investment is an assurance that contracts will be honored. The nature of many enterprises—and this is particularly true of the oil business—requires that the investment be negotiated with the government, and covered by a formal contract with the government. When a government unilaterally repudiates such a contract, the whole fabric of international trade is jeopardized. That, it seems to us, is the whole point of the Suez controversy. That is not nationalization—it is the breaking of a solemn contract.

Although many countries have removed, or are beginning to remove, economic restrictions which have discouraged the investment of foreign private capital, many others still believe that they can get along without it, or can substitute loans or gifts from other governments to accomplish objectives which we believe could be attained much more efficiently by private capital investment and free competition.

Aid versus Private Capital

This whole area of government aid versus private capital presents one of the most ticklish problems confronting our government. I think most businessmen realize that there can be no easy solution, and can sympathize with our government when it is confronted with alternatives, all of which contain objectionable features but from among which, one must be chosen. I do believe, however, that whenever our government is solicited for aid for a project which clearly would be done by private capital, whether American or not, the interests of the American taxpayer demand that the aid be refused. Naturally, a great no-man's-land exists between those programs which are plainly governmental — such as harbors and ports—and those industrial projects which obviously are in the private-enterprise category. But the principle is clear, and I think we should miss no opportunities to stress it. I also believe that our government should make clear to all countries that the record of their treatment of private capital, domestic and foreign, will be an important factor in any decision on foreign aid.

Unreasonable restrictions by foreign investments on private capital investments, whatever the ideological or emotional reasons for them, unfortunately penalize most of all the people of the country involved. Such restrictions prolong, or postpone indefinitely, the time when the fruits of plentiful energy and productivity can be realized by the people.

Substantial Sized Gross Private Capital

Despite all of the restrictions and other problems confronting private capital abroad, however, a vast amount has been invested, and is being invested, all over the world. As a matter of fact, the reported figures of foreign capital investment by American business grossly understate what is really going on. In the United States we have for years published capital investment estimates which include all expenditures for capital goods, whatever the source of the funds — new investment money, retained earnings, depreciation and depletion accounts, loans, and so on. On this basis in 1956, some $35 to $40 billion is being invested in capital expenditures in the United States. This is the measure of what is going on in our economy, building for the future.

Overseas investments, however, are reported only as the net direct investment outflow. No account is made of the reinvested earnings of foreign subsidiaries, of investments from depreciation funds, or even of new investments equal to the proceeds of sales of investments in place. According to these data, United States net private investment outflow abroad in 1955 was a mere $679 million.

No one knows what the gross figure may be, but some idea of the amount of the understatement involved may come from a comparison with figures for Jersey Standard's investments abroad. In contrast to that $679 million reported for all United States companies in 1955, Jersey Standard alone is risking some $725 million this year outside the United States. An even more striking example is the year 1954. The published figures for United States investment outflow in the petroleum industry in Latin America showed a minus $22 million, yet in that year alone our Latin American affiliates spent almost $200 million for new plant and equipment, and in the search for oil.

Unquestionably, in recent years, the actual capital investments abroad by private United States enterprises have far exceeded the total of our government's economic assistance to foreign countries. Of course, this applies only to the totals, and clearly was not true for several Asian countries where much of the aid was concentrated. But I suspect that overall private foreign investment in 1955 exceeded even the total $4½ billion of all aid, economic and military.

I emphasize these differences between net and gross investment because I think they are important to an understanding of economic growth. Productivity measured solely by the plant built with new outside capital investment has been a relatively minor factor in the growth of our country and its standard of living. Rather it is the plants rebuilt and modernized with depreciation funds and retained earnings — what we might call productivity improvements—which have been responsible for our phenomenal increases here at home.

The same factors apply abroad, of course, and are important for an understanding of the contribution of American private capital to the economy of the rest of the world. Incidentally, the Department of Commerce now has recognized this deficiency, and is beginning a study to find out just what these gross investment figures amount to.

Private Foreign Investment Outside U. S. A.

Another fact which many people do not realize is that, although we think of an American-owned copper mine in Chile or iron mine in Venezuela producing mostly for United States consumption as a prime example of international trade, actually a preponderance of private foreign investment is devoted to activities entirely outside the United States. That is to say, much of the goods which move in world trade are produced in a host country by a company with foreign capital, and are distributed and sold in that or other countries of the world by companies whose capital comes neither from the country of production nor the country of sale.

The international petroleum industry is the foremost example of what private foreign capital can do to build up the flow of trade from one part of the world to another. Companies affiliated with Jersey Standard, for example, did $1.4 billion in international trade last year. The great bulk of that business was conducted entirely outside the United States — that is, it was oil produced, transported, refined, and sold among foreign countries. Only a small fraction of our international business consisted of imports into, and exports from, the United States. Our concern with the actions of our country which affect world trade, therefore, derives mainly from the effect of these actions on stimulating trade all over the world.

Contribution to Host Country

In this connection, I think that the recent studies by the National Planning Association of case histories of private investment abroad warrant the widest attention, both here and abroad. The story of Sears Roebuck in Mexico, of Casa Grace in Peru, of Sun Life's investments in the Philippines, and of our own affiliate, Creole, in Venezuela, make fascinating reading. They explain not only the success of these investments, but more importantly, their contributions to the economic and cultural advancement of the host countries. If you have not already seen them, I recommend them highly.

Finally, I want to pay tribute again to the tremendous accomplishments of the Gray, Rockefeller, and Randall commissions. They have studied the problems involved in our international trade programs exhaustively. Their evidence, I believe, is conclusive, that a liberal, consistent international trade policy is vital to our national welfare. Whether or not one agrees with all their views — and I certainly disagree with a few of them myself—their bipartisan recommendations ought to have received a wider recognition and acceptance than they have so far, particularly in the Congress.

Yet unquestionably it is their work which has, in large measure, been responsible for such progress as we have made. We have not yet achieved a consistent, modern foreign trade policy, in my opinion, but at least we have managed to prevent any serious ruptures in those policies which we have had.

Furthermore, the activities of these commissions have helped to educate American public opinion to the point where it has a somewhat greater understanding of the vital place of more liberal international trade in world peace than have some of our representatives in Washington.

I am sure that all of you who are participating in this World Trade Conference have a deep sense of the importance of international trade to our own country, and to all the free peoples of the world, and will take every opportunity to spread that word to your friends and associates here and abroad.

Lucky Stores Offer Underwritten by Allen & Co. Banking Group

Foremost Dairies, Inc. is offering to holders of its common stock rights to purchase pro rata, 630,000 shares of common stock of Lucky Stores, Inc. at a price of $11.25 per share, in the proportion of one common share of Lucky Stores for each 12½ shares of Foremost Dairies common stock held of record on Nov. 30, 1956. The purchase offer will expire at 3:30 P. M. (EST) Dec. 17, 1956.

In addition, each Foremost Dairies common stockholder of record Nov. 30, is being given the privilege to purchase at the same price ($11.25 per share) any number of such of the 630,000 common shares of Lucky Stores as are not purchased through the exercise of rights, subject to allotment.

Allen & Co. is manager of an investment banking group which is underwriting the offering.

The common shares being offered hereby are currently outstanding, and represent the holdings of Foremost Dairies, Inc. in Lucky Stores as of Sept. 15, 1956.

Lucky Stores, Inc., with its executive offices in San Leandro, California, is engaged primarily in the operation of a chain of 63 retail food stores in California, located for the most part in the San Francisco-Oakland Bay area and in Los Angeles and San Diego Counties.

In an unaudited statement of pro forma earnings for the 39 weeks ended Sept. 30, 1956, Lucky Stores and subsidiaries showed that sales, less returns and allowances, aggregated $65,863,847, and net income was $1,053,729.

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Private Lending Opportunities In Federal Housing Programs

vate market, thereby relieving the Treasury of that financial burden.

Refunding Into Privately Held Debt

The Administration has pursued a similar policy of refunding debt obligations held by the Government into privately held debt in connection with the public housing program. The Public Housing Administration arranged with local housing authorities that they should sell notes and bonds to private investors, so that they could refund loans held by PHA on some projects which had been completed and were in operation. This operation permitted the PHA to repay about $200 million to the Treasury. The established policy is to have long-term financing of public housing projects accomplished by the sale of local housing authority bonds to private investors. The debt service on these bonds is guaranteed by the amount of annual contributions, to provide a rent subsidy, which is pledged by the Federal Government.

We have also been successful in replacing most local authority temporary notes for construction financing held by PHA with notes sold to private investors. The amount of such short-term notes held by PHA was reduced from $620 million at the end of 1952 to $12 million at the end of 1955. Over the same period the amount of the short-term loans to local housing authorities held by private investors increased from $313 million to $753 million.

In another program, to aid local communities and other public agencies to finance the construction of needed public works, the Community Facilities Administration makes interest-bearing loans from a revolving fund of $100 million. The 1955 legislation authorizing this program permitted the agency to establish the interest rate, and this is done through a formula which reflects market levels. The current rates are $3\frac{7}{8}$% for loans secured by general obligation bonds and $4\frac{3}{8}$% for loans secured by revenue bonds. These loans are beneficial in educating small communities in debt financing, and in a few instances the communities found they could obtain their loans from private investors when the applications had been properly prepared. Loans are not made until after the issues have been advertised, to give private investors an opportunity to make them.

A similar educational process in debt financing has been going on under the college housing program. We had developed substantial private participation under this program until the statutory formula for the interest was changed to provide a rate of $2\frac{5}{8}$%, plus $\frac{1}{4}$ of 1% for administration. Although this interest rate has precluded private financing, even for a part of these issues, we are now developing procedures under which private capital can be attracted to supply part of the money needed to finance some of the housing projects at large universities. We have just been successful with a trial project at Purdue University.

Federal Flood Insurance Program

Before closing I would like to tell you briefly about another program. Enacted in August, it may have long-range significance with respect to future security issues of many corporations.

The new Federal Flood Indemnity Administration will provide a means of insuring against the risk of losses from floods for many enterprises now located in areas subject to flooding. In addition to insurance, the program provides for flood zoning restrictions which may be required of communities if insurance is to be made available after June 30, 1958, and for coordination with Federal flood prevention programs. These measures should operate to reduce the risk of flood damage generally.

In accordance with the wishes of the Administration, the program is an experimental one. The intention is to develop experience to demonstrate the feasibility of having private industry subsequently take over this insurance operation. In the operations of the program private industry facilities will be used to the greatest practicable extent in selling and servicing policies and adjusting claims for losses.

I think it is very important to emphasize the satisfactory relations with the insurance industry and to clarify the reasons why the Government, rather than private carriers, is taking the lead in this field.

Private Insurance Industry's Views

The insurance companies made a most thorough study. They recognized the importance of finding a way to indemnify flood victims. At the same time they could not find a formula that would fit both the needs of potential victims and the companies. Briefly, the companies decided that insuring against floods would not be a proper risk. A single catastrophic loss might not only wipe out a company's capital, but also—and even more important—destroy the insurance protection purchased by thousands of policy holders in the ordinary casualty areas.

But the adverse decision of the companies did not eliminate the need for protection against flood losses. Accordingly, Congress passed the law which, as I have already remarked, provides for an experimental Government program.

Under the Federal Flood Indemnity program it will be possible for any person, or corporation, to insure a home and its contents against flood loss in an amount up to $10,000, or a business property and its contents in an amount up to $250,000. We are presently working on the development of a flood insurance rate structure.

The legislation also authorizes our agency to enter into loan commitment contracts within the same dollar amount limits as for insurance. Under these provisions a homeowner or businessman would be able to obtain a contract, for a fee, assuring him of a loan to the extent of the flood damage he suffers. Such a loan may be made by a private lender and guaranteed by the agency; or if a guaranteed loan is not available, the borrower would obtain a Government loan. The legal maximum interest rate for such loans is set at 4%.

The loan contract is intended to provide a supplementary form of financial aid, with the difference, of course, that the loans made would be repaid. The loans will give business firms the financial wherewithal to reestablish their operations quickly in the event that they suffer flood damages.

A third phase of the program provides for reinsurance of flood insurance policies issued by private companies. When this phase of the program is developed it may serve to make flood insurance available to homeowners and business firms who seek insurance for amounts in excess of the legal limits set for the insurance policies issued by the Federal Government.

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Automation and Our Future

well over half of the nation's present energy supply, compared to less than a tenth at the turn of the century. Gasoline made under automatic and semi-automatic processes costs much less than half as much as it would without Automation . . . if it could be made at all. I hear that a gallon of gasoline costs less than one-third the price of a gallon of distilled water . . . seems almost impossible! The answer—volume . . . market . . . and automated process!

In the last 25 years, production has nearly tripled and prices of petroleum products, measured in dollars of constant purchasing power, were more than 16% lower in 1950 than in 1925, in spite of a 24% rise in the price of crude in constant dollars. . . . A terrific record which everyone of you in the industry must be very proud of.

A big reason for these accomplishments is the fact that the productivity of oil workers has increased at twice the rate of workers in other industries. Why? I believe the answer is obvious.

That's enough about the petroleum industry. I hope too much of it hasn't been repetitive to you!

Wherever one has found Automation in the past, one has always found an expanded industry if the Automation has been successful. This is because of a rather simple, economic cycle. A product is produced at a lower cost . . . more people can buy the product, which gives the manufacturer an opportunity to invest still more money in modern plant methods, thereby bringing the cost of the product down even lower and again broadening the market. And so one could call Automation self-curing in the area of unemployment. Although at the very lowest part of the scale, it appears to be putting people out of work, this is an illusion because through expanding the industry and cheapening the product, it has usually increased employment.

Automation in Past History

It is not always successful. It must be used in the right place and at the right time. In 1784, a man called Oliver Evans, built a flour mill here in America. This flour mill was just about as automated as any mill can be today. Water furnished the power and conveyors took the grain from the farmers' wagons, carried it to the floor where the sacks were broken and the grain was conduited to grinders. Various types of flour were carried from the grinders and automatic bagging machinery put this flour into bags and delivered it to the shipping floor.

A man — called Babbidge — in England designed a computer machine on an automated basis in the early 1830's. This machine had an automatic punch card input and output, and to a large degree worked like the electronic computers of today — except that it operated on a mechanical basis.

In France, Joseph Marie Jacquard invented an automatic loom in 1801. This loom was controlled by punched paper cards which varied the patterns woven at will and had such a tremendous impact, that by 1812, 11,000 of these automatic looms were operating in France. . . . Automation on a very grand scale 150 years ago!

Evans' flour mill and Babbidge's computers were failures because they were Automation of processes where the need had not just yet justified the expense.

Flour milling did not have much labor in it anyway so Automation did not have the margin it needed to pay its way.

Business and science of the early 19th Century in England had not achieved the precision and the pace to justify a computer of the sophistication of Mr. Babbidge's. He, too, was way ahead of his time!

And yet, the Jacquard mill in the textile industry, where there was great demand and where there was enough turnover of money so that the cost of the Automation could be justified, was successful beyond the wildest hopes of its inventors . . . and so sometimes it is successful . . . and sometimes it is not.

And now, a word on development. . . .

The development of automation from the first automatic water-driven, water-pumping stations of ancient Egypt, up to and including the steam engine was slow. It was slow because there weren't very many mass needs or mass markets. Industry hadn't begun to churn over at the rate that it is churning today.

Today's buying power wasn't available. But above all, there wasn't one missing link that industry now has at its fingertips—a missing link that is making my company successful — a missing link that to a large extent is responsible for the more modern type of Automation that is going on in your industry.

I'm speaking, of course, of electronics—electronics that has meant more to me personally in the last ten years than any other single buisness term—electronics which spells the great and brilliant new future for us in every industry from the defense of our country right on through to the operation of our homes.

Fifty years ago, a manufacturer with enough money could have built an automatic factory for some products. But it would have been a colossal collection of rods, gears and wheels, and the machines to run other machines might well have been bigger than the factory itself.

Assures Our Survival

Now with electronics we do not need a very big machine to run another machine. Today, we build a very small machine—the mysterious "black box"—to run other machines. Millions of electronic instructions can be stored in the little boxes, and the machine to run a machine is now practical for quite complex applications.

Now just take a quick look into the future. I am sure you have all looked into the future yourselves for your industry is leading America in applying power and machines to take over jobs which are no longer the type of jobs that humans can effectively or economically or even with dignity undertake.

Whether or not we keep up our standard of living — the highest standard of any country in the world—depends on our ability to produce more goods with relatively fewer workers. Even the survival of America as a free nation depends on our ability to produce.

We are outnumbered by our potential enemies. They command great military strength, perhaps as many planes and more submarines than we possess, and the hydrogen bomb. And they have a vast rich supply of raw materials.

Why are we not overtaken by our enemies? The answer, I believe, is American technology. A nation is no stronger than its industrial tools, no stronger than the lifting power its workers command. Today, America's workers, outnumbered as they are, still possess the greatest lifting power in the world.

There is more horsepower behind every American worker by a factor of several fold than any other worker in the world.

One single employee in an American plant is equal to 250 men anywhere in the world where physical manpower is the principal form of energy. Just in the last 100 years, the average horsepower behind every American worker has increased 400%.

Thirteen million production workers in manufacturing plants in the U. S. with maximum electricity and steam power behind their tools produce one-half of the total manufactured goods in the world—170 million people producing as much as $2\frac{1}{2}$ billion. This huge power application behind our industrial workers adds dignity to their jobs, makes them more effective, and enables them to earn greater pay. This is the American use of Americans. This is the way we are unbeatable. This is our ace in the hole, our one great advantage, and we must preserve it at all costs.

So I think we may come to the conclusion that while Automation once may have been a luxury, a profit-producing luxury to be sure, it has become an absolute necessity throughout American industry today.

Will Put People to Work

Far from putting people out of work, it even possesses the possibility of reviving dying industries. Nobody has seen better evidence of this than the anthracite coal miners. The high percentage of mining labor to the cost of coal very nearly wrecked their industry, putting thousands of miners out of work. Then a machine was invented to do the work of a dozen miners, and the anthracite industry is able to compete once more. Some of you in the heating oil line may already know this. Thus, only a portion of the miners are being displaced.

No—Automation is not going to take large numbers of Americans out of their jobs, but there is a real possibility that Automation will take the drudgery—the hazards—the noise—the dirt out of jobs for Americans. Rather than fear it, perhaps working people will one day come to know it as the Great Emancipator. Perhaps all factory jobs will have become white collar jobs and we in America will have taken another giant industrial step forward.

A shorter work week is probably in the next decade. Longer vacations, of course. Higher pay—yes, but higher profits, too, because output is proportional to incentive.

Invention and innovation are now the frontiers of our country. Our frontier spirit has, I believe, been the principal reason for America's progress. The late historian, Frederick Jason Turner, wrote that the Western frontier had developed that quality. "The challenge of the frontier," he declared "was met and the result was a population steeped in self-reliance, ingenuity, patience and energy."

How did these peculiarly American characteristics survive after the closing of the frontier? Professor Turner said they would always survive as long as there were new frontiers. He wrote about the realms of science and predicted "a new generation of explorers" . . . scientists if you will.

His prediction has come true. No major U. S. industry has grown up faster than petroleum, where a pioneering spirit—a desire to explore the frontier—has always been overly abundant.

This same spirit burns just as

brightly in the oil industry today. If it did not, there would be no wildcatters . . . no drilling barges on the tidelands . . . no big-inch pipeline . . . no derricks at Abadaban.

This same spirit, duplicated in every American industry, I believe, will allow us to use Automation wisely and well. And with that use will come a better America for all—

An America in which the work of the individual is ever more challenging and more important . . .

An America with an increasingly higher standard of living for all . . .

An America with the industrial strength so vital to our national well being.

Goddard, Payson Named To NASD Committee

BOSTON, Mass.—James H. Goddard, J. H. Goddard & Co., Boston, and George S. Payson, H. M. Payson & Co., Portland, Me., were elected to District Com-

Geo. S. Payson James H. Goddard

mittee No. 14 (Maine, Massachusetts, New Hampshire, Rhode Island and Vermont) of the National Association of Securities Dealers.

Mr. Goddard founded the investment securities business bearing his name in 1925. He is a member of the Constitutional Committee and the Nominating Committee of the Boston Stock Exchange and in recent years has served as Chairman of the Board of Governors of the University Club of Boston and as a Trustee of the Hamilton Trust of Boston.

Join Quarter Century Club

Six employees who completed 25 years' service during the past year became members of the Quarter Century Club of J. & W. Seligman & Co. and Union Service Corporation at the club's annual dinner. The new members were: Mrs. Rita Ewald, Miss Edna A. Severin, Adolf Juergensen, Grover S. Lyons, Franklyn R. Markey and Joseph P. Mendres.

Of 220 employees in the companies, 43 are active members of the 25-year club. Oldest member is Herbert S. Bachman, a Seligman employee for 58 years. J. & W. Seligman & Co. is one of the oldest investment brokerage firms and Union Service Corporation is the organization which furnishes investment research and administrative services to four investment companies, Tri-Continental Corporation, Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc.

With Boettcher & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — James N. Hambourger has been added to the staff of Boettcher and Company, 135 South La Salle Street.

Form Crook & O'Neall

FT. WORTH, Texas—Crook & O'Neall, Inc. has been formed with offices at 316 Bailey to engage in a securities business. Officers are Curtis E. Crook, President; Frederick B. O'Neall, Vice-President and Secretary.

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The State of Trade and Industry

Manufacturers' sales and new orders during October advanced to record highs, aided by rising prices the United States Department of Commerce reports.

The agency said manufacturers sold $30,100,000,000 of goods in October. This topped the previous high of $28,500,000,000 reached in March of this year. The October volume also rose sharply from September's $27,700,000,000 volume and was well above sales of $27,800,000,000 in October of last year.

New business for manufacturers set a record in October, too. The department said new orders totaled $29,500,000,000, surpassing the previous high of $27,800,000,000 set last June. The October influx of business compared with $28,100,000,000 of new orders received in September and $28,200,000,000 in October of last year.

Department economists said price rises played a large part in October's high level of activity. "Price increases were more important than higher volume," said one, "but there was some volume increase, too." He interpreted the report to indicate "a very strong position for manufacturers both now and in the next couple of months."

In the automotive industry, United States car makers scheduled production the past week at the highest level of 1956, "Ward's Automotive Reports" stated on Friday last.

With Chevrolet, Ford Division and Cadillac definitely programming Saturday operation and Mercury and Chrysler Corp. divisions contemplating it, volume was sighted at 153,553 cars.

"Ward's" pointed out that the figure tops 1956's previous weekly high of 149,995 autos, set Jan. 9-14, by 2.4%. Also booked for last week were 23,236 trucks for a total vehicle count of 176,789 units. This compares with 136,245 vehicles—118,949 cars and 17,296 trucks—built during last week's abbreviated Thanksgiving Day session.

Ford Division and Chevrolet, this trade paper declared, are battling strongly for 1957 model production honors. With 13 assembly plants set for activity on Saturday, Ford anticipated cars turnout at 39,400 units the past week compared with a 38,000 total for Chevrolet, with 10 plants operating Saturday. Thus, the two firms accounted for exactly 50% of last week's industry yield.

Significantly, said "Ward's" Ford set a postwar division high for single-day car output by producing 7,370 units on Wednesday, Nov. 28.

"Ward's" noted also that domestic producers built their millionth truck of 1956 a week ago on Monday, Nov. 26. However, truck turnout remains 12% off last year's pace. Car building is 29% behind last year.

Business failures in October numbered 1,158, some 24% more than in September, but a smaller toll than in March and May of this year. Up 26% from a year ago, more concerns failed than in any October since 1939, when there were 1,234 casualties.

Reaching a new postwar high of 53 failures for each 10,000 enterprises listed in the Dun & Bradstreet "Reference Book," the rate of failure, as reflected in Dun's Failures Index, was slightly higher than in preceding months. The index extends monthly casualties to an annual rate and is adjusted for seasonal fluctuations. Failures occurred at a somewhat lower rate than the 67 for each 10,000 businesses in 1940 and the 73 in 1939.

The liabilities of the October failures increased 27% to $50,004,000. While this volume was exceeded in two earlier months this year, it was 44% higher than a year ago. Failures in all size classes were more numerous than in the comparable month of last year.

There was a month-to-month increase in failures in all industry and trade groups. Failures in retailing and construction reached postwar peaks with an increase in all size classes in these two industries.

Increases in failures from a year ago prevailed in most industries, but varied in degree. Commercial service casualties edged 1% above the 1955 level, manufacturing, rose to a rather mild 10%, whereas trade and construction failures exceeded year-ago levels by 32% to 34%.

Regionally, failures rose in all areas except the Mountain States. More businesses succumbed in the West South Central states than in any month since 1940.

The valuation of building permits issued in 217 cities including New York during the month of October amounted to $529,934,971 Dun & Bradstreet, Inc., reports. This was an increase of 8.7% above the $487,392,751 for October, 1955 and a gain of 0.7% over the September figure of $526,234,213.

New York City building plans filed during October were valued at $72,251,619. This was up 63.9% from $44,087,975 for October last year, but it was down 25.3% from the $96,679,762 for September.

The aggregate of building permit values for the first ten months of 1956 remained at an all-time level and totaled $5,315,833,970 for the 217 reporting cities. This compared with $5,144,338,967 for the corresponding period of 1955, or a gain of 3.3%.

Steel Production Estimated the Current Week at 100.5% of Capacity

Rising government requirements stimulated by the Suez crisis will tighten the squeeze on steel products, states "Steel" magazine, the metalworking weekly.

It said first quarter United States military requirements will go up slightly, with alloys and stainless steels, wire products, nickel alloys and aluminum being chiefly involved. Alloy needs are expected to rise 2%; stainless steel, 12%; wire products, 9% and aluminum, 2%.

Federal outlays in the coming fiscal year are expected to rise noticeably, with some $2,000,000,000 of the increase going to the military. If world political conditions continue to deteriorate, expenditures will probably be still greater, it observes.

Demand pressure from railroad car builders for plates is terrific. Some 122,250 railroad cars are on order as of Nov. 1. Plate pressure will be intensified if approval is given to building 81 tankers being proposed, including three of 100,000 deadweight tons each. Twenty-three tankers are under construction or on order.

Because of congestion in the supply of structurals, much proposed building is being delayed, and some work is being diverted to reinforced concrete construction. As a result, congestion is building up in reinforcing steel, "Steel" notes.

With steelmakers enlarging their long-term expansion plans, demand for construction steel from the producers may aggravate the tight supply situation.

Currently, steel expansion is under way or authorized for 15 million tons over the next three years at a cost of $300 to $400 per ton of annual ingot capacity. A. B. Homer of Bethlehem Steel Co. believes ingot capacity of 200,000,000 tons will be needed by 1971, an annual average boost of over 4,500,000 tons.

All this means intensification of the upward pressure on the steel price structure. "Steel's" finished steel price composite, however, has been holding at $137.66 a net ton since the first week in November.

Adding fuel to the fire is a practically certain three-cents-an-hour increase in steelworkers' wage in January, resulting from the uptrend in the cost-of-living index. Index adjustments are provided for twice annually in the labor agreement.

Scrap prices have broken another record for the third consecutive week. "Steel's" price composite for steelmaking scrap shows a record $64.67 a gross ton for the week ended Nov. 28, up $2.67 from the preceding week.

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 100.5% of capacity for the week beginning Dec. 3, 1956, equivalent to 2,473,000 tons of ingot and steel for castings as compared with 101.1% of capacity, and 2,489,000 tons (revised) a week ago.

The Industry's ingot production rate for the weeks in 1956 is based on annual capacity of 128,363,090 tons as of Jan. 1, 1956.

For the like week a month ago the rate was 100.1% and production 2,463,000 tons. A year ago the actual weekly production was place at 2,416,000 tons or 100.1%. The operating rate is not comparable because capacity is higher than capacity in 1955. The percentage figures for 1955 are based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.

Electric Output Registers New All-Time High In Week Ended Dec. 1, 1956

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Dec. 1, 1956, was estimated at 12,075,000,000 kwh., an increase above the week ended Nov. 24, 1956, according to the Edison Electric Institute.

The past week's output rose 636,000,000 kwh. above that of the previous week, registering a new all-time high since the week ended Dec. 24, 1955 when output reached 11,614,000,000 kwh.; it increased 716,000,000 kwh. or 6.3% above the comparable 1955 week and 2,463,000,000 kwh. over the like week in 1954.

Car Loadings in Thanksgiving Day Week Ended Nov. 24, Fell 14.8% Under Prior Week

Loadings of revenue freight for the week ended Nov. 24, 1956, which included Thanksgiving Day, deceased 112,956 cars or 14.8% below the preceding week, which included Veterans' Day, the Association of American Railroads reports.

Loadings for the week ended Nov. 24, 1956, totaled 650,920 cars, a decrease of 21,030 cars or 3.1% below the corresponding 1955 week but an increase of 67,400 cars, or 11.6% above the corresponding week in 1954.

U. S. Car Output Scheduled Last Week at Highest Level of 1956

Car output for the latest week ended Nov. 30, 1956, according to "Ward's Automotive Reports," was set at the highest level of 1956.

Last week the industry assembled an estimated 153,553 cars, compared with 118,949 (revised) in the previous week. The past week's production total of cars and trucks amounted to 176,789 units, or an increase of 40,544 units above that of the preceding week's output, states "Ward's."

Last week's car output advanced beyond that of the previous week by 34,604 cars, while truck output rose by 6,040 vehicles during the week. In the corresponding week last year 177,712 cars and 28,532 trucks were assembled.

Last week the agency reported there were 23,236 trucks made in the United States. This compared with 17,296 in the previous week and 28,532 a year ago.

Canadian output last week was placed at 8,960 cars and 2,067 trucks. In the previous week Dominion plants built 3,575 cars and 2,171 trucks and for the comparable 1955 week 6,624 cars and 638 trucks.

Business Rose to Highest Level in Four Weeks and Greatly Exceeded Like Period a Year Ago

Commercial and industrial failures rose to 254 in the week ended Nov. 29 from 207 in the preceding week, Dun & Bradstreet, Inc., reports. At the highest level in four weeks, the toll was considerably above the 299 a year ago and the 221 in 1954, and only 4% below the prewar level of 264 in the similar week of 1939.

Failures with liabilities of $5,000 or more increased slightly to 219 from 192 last week and were noticeably higher than the 171 of this size in 1955. Although small casualties, involving liabilities under $5,000, climbed to 35 from 15 in the previous week, they were not as numerous as last year when 38 occurred. Liabilities in excess of $100,000 were incurred by 20 of the week's failures as against 21 a week ago.

The week's rise was concentrated in the trade and service lines; the toll among retailers increased to 129 from 96, among wholesalers to 29 from 19 and among commercial service to 20 from 14. However, manufacturing casualties were unchanged at 39 and construction dipped to 37 from 40. More businesses failed than last year in all industry and trade groups.

Four geographic regions accounted for the heavier toll during the week. In the Middle Atlantic States, failures rose to 93 from 66, in the Pacific to 68 from 47, in the South Atlantic to 19 from

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The State of Trade and Industry

12 and in New England to 13 from 8. Slight declines from the previous week prevailed in the other five regions, including the East North Central States where the toll dipped to 27 from 31. Casualties exceeded the 1955 level in all areas except the West North Central States. The sharpest increases from a year ago centered in the West South Central and Mountain Regions.

Wholesale Food Price index Rose for Third Successive Week to Highest Level Since June 5

Rising for the third successive week, the Dun & Bradstreet wholesale food price index for Nov. 27 went to $6.16, from $6.10 a week ago. This brought the current figure to the highest since June 5, when it registered $6.18, the peak for this year. The latest index compares with $5.99 on the corresponding date last year, or a gain of 2.8%.

Higher in wholesale cost last week were flour, wheat, corn, oats, hams, bellies, lard, sugar, coffee, cocoa, eggs, prunes and hogs. Lower were rye, beef, butter, beans, steers and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Daily Wholesale Commodity Price Index Reached a New High For Year and Highest Since Mid-April of 1952

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., continued its upward trend last week to reach a new high for the year and the highest level since mid-April of 1952. The index rose to 299.96 on Nov. 27, from 298.23 a week earlier. It compared with 275.87 on the like date a year ago.

Grain markets were somewhat irregular but the general trend was firmer with substantial gains scored in wheat and corn futures. The news that dock workers had returned to their jobs and that railroads had lifted an embargo on shipments to the Atlantic Coast and Gulf of Mexico ports had a beneficial effect on all grains, particularly on wheat, because of a substantial demand from foreign countries.

Cash corn prices strengthened, reflecting a sharp decline in producers marketings as compared with last year.

Cash oats prices were strong due principally to the meager marketings. Soybeans were the most active commodity on the Chicago Board of Trade last week. Average daily purchases of all grain and soybean futures totaled about 48,800,000 bushels against 65,900,000 the previous week and 34,900,000 bushels in the corresponding week last year.

Domestic bookings of hard wheat bakery flours remained on a hand to mouth basis with only scattered purchases developing among trade in early need. Export demand continued quiet with no indications of improvement despite the reopening of strike-bound ports.

Coffee prices advanced in active trading. Support was attracted by a downward revision of the Department of Agriculture world coffee drop estimate and Columbia's decision to support coffee through purchases at a much higher level.

Cocoa prices rose sharply under aggressive commission house and trade buying, reports of improvement in manufacturer demands and the belief that consumption will increase with colder weather. Warehouse stocks of cocoa were lower at 307,988 bags against 319,512 last week and compared with 274,711 bags last year. Lard price continued upward, stimulated by strength in vegetable oils and a sharp upturn in hog values which rose to a top of $16.75, as compared with $12.25 a year ago. Small receipts and a higher wholesale pork market were factors in the advance.

Spot cotton prices were generally steady with trading active in most markets.

Sustaining factors included mill price-fixing and short covering and some buying resulting from Presidential action in the dock workers' strike. The CCC sold 423,000 bales of cotton on Nov. 13 under the export program. This is reflected in last week's reported purchases in the 14 markets which totaled 540,500 bales, as against 477,200 in the preceding week, and 222,400 in the corresponding week a year ago. Cotton ginnings prior to Nov. 14 this season totaled 11,113,000 bales, according to the Census Bureau, as compared with 11,421,000 bales a year earlier and 11,285,000 bales to the same date two years ago.

Trade Volume Dipped Slightly Below Last Year's Level In Latest Week Despite Good Response to Christmas Promotions

Attracted by early Christmas sales promotions, shoppers noticeably increased their buying of gifts, apparel and housewares the past week, but total retail trade slipped slightly below that of last year.

Sales of new passenger cars continued to climb, and dealer inventories of 1957 models were limited; volume in major appliances decreased somewhat.

The total dollar volume of retail trade in the period ended on Wednesday of last year was from 3% below to 1% above a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1955 levels by the following percentages: New England —5 to —1; East and Northwest —4 to 0; South —1 to +3; Middle West and Southwest —2 to +2 and Pacific Coast —3 to +1%.

There was an upsurge in the buying of women's fashion accessories the past week. The call for dresses and coats expanded appreciably, but volume in suits remained at the level of the previous week. Although total sales of men's apparel mounted considerably, they were fractionally below the comparable 1955 levels. Best-sellers were topcoats and sportswear.

Volume in glassware, kitchen utensils and small electric appliances continued to expand.

While interest in television sets and automatic laundry equipment rose somewhat, the buying of refrigerators and freezers dipped moderately.

Despite an increase in the buying of household furnishings last week the dollar volume was slightly below that of the similar 1955 period.

While housewives boosted their purchases of poultry, eggs and cheese, the buying of fresh meat and butter declined moderately. Grocers reported sales gains in baked goods, frozen foods and candy. Volume in canned goods and fresh fruit and vegetables was unchanged.

Moderate increase in wholesale orders for food products and some home furnishings offset a decline in the buying of apparel and textiles.

Total wholesale volume slightly exceeded that of the similar 1955 week.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Nov. 24, 1956, advanced 1% above those of the like period last year. In the preceding week, Nov. 17, 1956, an increase of 6% (revised) was reported. For the four weeks ended Nov. 24, 1956, an increase of 1% was recorded. For the period Jan. 1, 1956 to Nov. 24, 1956, a gain of 3% was registered above that of 1955.

Retail trade volume in New York City the past week was on a par with or about one percent below the similar period a year ago, trade observers report.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Nov. 24, 1956, decreased 1% below those of the like period last year. In the preceding week Nov. 17, 1956, an increase of 9% (revised) was recorded. For the four weeks ending Nov. 24, 1956, a decline of 1% was registered. For the period Jan. 1, 1956 to Nov. 24, 1956 the index recorded a rise of 4% above that of the corresponding period in 1955.

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How Long "Tight Money"?

in terms of the funds entrusted to them for investment. Pension funds which are an important source of capital accumulation are also setting new records from month to month. Finally, on the supply side, depreciation allowances and retained earnings of corporations, are now at new all-time highs.

Clearly then money is not tight through a decrease in the money supply. Moreover, our dollars are doing extra duty through overtime work. The velocity of money has increased thus improving its efficiency as a medium of exchange.

Now let us look at the other side of the equation—the demand for money. Our economy is fairly bursting with enthusiasm, almost everyone is optimistic and feels secure in his job. People do not hesitate to buy anything they want providing they can borrow the money and the monthly carrying charge fits the budget. Total consumer credit stands at over $40 billion, a new all-time high although the rate of increase has been slower in 1956 than in 1955. About 1,100,000 new homes will be constructed this year, which is a reduction of 200,000 from 1955. The reduction took place mostly in the lowest cost houses and with rising prices the 1,100,000 will cost almost as much as the greater number that were constructed and furnished last year; and the demand for residential mortgage credit is still very high.

The sale of 1956 automobiles and trucks was down from the preceding year by about two million units. It was a big year, however, by any standards prior to 1955. The industry expects to regain its stride with the new restyled 1957 models but it is yet too early to know how well they are going to sell throughout the year. In any event we may expect a volume of sales which will produce a high demand for credit.

Great Demand for Funds Major Cause of "Tight" Money

Business expenditures for plant and equipment will probably amount to $35.3 billion for the full year. This is an increase of $6.6 billion over the 1955 rate.

Superimposed on all this private activity the Federal Government is spending on the military establishment for manpower, jets, guided missiles, H bombs, etc., at a rate of $40 billion a year. We keep three million persons in uniform, thus depleting the civilian labor force of their services. The Federal Government is also engaged in legion other spending activities which carry the total Federal budget to $66 billion.

Finally in looking at the demand picture there remains the sector comprised of states and local units. Here the need for funds to build schools, hospitals, sewers, waterworks, etc., is overwhelming, as a result of our expanding population and movement to the suburbs.

And so I say to you that we should not assert that money is tight because the Federal Reserve Board has made it so nor that money is in short supply. Rather, we must recognize that the great demand for funds is the major cause. That money is tight simply means that we have been trying to expand our consumption, our productive facilities and governmental services—Federal, state and local—faster than our capacities for doing so permit.

Federal Reserve Right in Not Interfering in the Market

What the Federal Reserve Board has done, and rightly so, is to resist the pressure to interfere in the market, thus permitting the demand for funds to express itself in higher rates of interest. This, in my opinion, is as it should be. By permitting the market to function as a regulator between supply and demand, higher interest rates under existing conditions will tend to dampen the demand for funds on the one hand, and, on the other, to stimulate savings.

Let me digress for just a moment on this matter of interest rates. People have been accustomed to low rates for so long that low rates are taken for granted and are assumed to be normal. People seem to forget that for 20 years interest rates were deliberately kept at artificially low levels by pumping extra money into the credit system, with the result that during those 20 years our dollar lost half of its purchasing power. The war, of course, was partly responsible. This was a frightful price to pay for the alleged benefits of low interest rates. The experience distorted our perspective. If we look upon existing rates as high we should recall those of the '20s when the discount rate fluctuated between a low of 3% to a high of 7%. By comparison rates today are still low.

Further Credit Expansion Would Lead to Instability

What then has been the true role of the Federal Reserve Board in this picture? Money is in generous supply but tight resulting from an abnormally heavy demand. The Board did not generate this demand. Interest rates have risen because of competitive market forces, not because of Board action. Increases in the discount rate have followed and not led the market. In a sense the Board has taken a passive sideline position.

There is no doubt in my mind that the Board has the power, authority, facilities, and know-how to reverse this money situation overnight whenever it chooses to do so. To stay on the side lines has required a deliberate, calculated policy decision by the Board. In its judgment the market has for the time being all the money and credit needed for sustainable economic growth. Any additions to the money supply now would merely blow up the price level and further depreciate the purchasing power of the dollar by furnishing the means to increase the bidding for the materials and services already being fully utilized.

The further resort to credit expansion at this juncture would be certain, in my opinion, to lead to instability. If because of tight money some demands need to be deferred, our prosperity should for that reason be more enduring. If I interpret the objectives of the Federal Reserve Board correctly, it is precisely to avoid the severity of the adjustments that have in the past followed unhealthy boom periods.

Having thus described some of the reasons for money being tight, let us now consider what changes if any are likely to bring about easier money.

How long can expenditures for plant and equipment be sustained at present rates? Surveys by McGraw-Hill, The Department of Commerce, and Newsweek Magazine all point to substantial outlays through 1957. The drive for new plant and equipment is accelerated by research work which is continually developing new processes and new products. It would require an investment of $136 billion to bring all of our plants up to date.

Effects of New Plant and Equipment and Demand for Consumer Credit

With rising wage rates, firms must adopt the most modern low cost methods or be hard pressed by competition. In effect this represents a substitution of capital for labor. Our growing population with good wages and more leisure time seems to have insatiable desires for goods and services. Eventually, if we keep building, plant capacity will outgrow its markets. We have a few industries such as textiles and farm machinery where capacity now seems fully adequate. Steel capacity by contrast is booked for months ahead.

The greatest danger to continued plant expansion is the wage spiral and the squeeze it puts on corporate profits. One of the scarcest things today is labor, using that word in its broadest meaning. If one will but examine the want ad section of any daily paper he will be impressed by the intense efforts being made by firms to raid each other's labor force. Incidentally the shortage of labor is not limited to the United States. Countries in Europe are experiencing similar acute shortages. There is no possibility of a sudden increase in the labor force. I see little relief from a tight labor market until the wartime baby crop reaches working age beginning about 1964 or 1965. A tight labor market adds tension to a tight money market.

Is there any possibility of abatement in the demand for consumer credit in the foreseeable future? I think not, at least so long as employment stays high. Many students regard consumer credit as posing an inflationary danger and have suggested that perhaps the Federal Reserve Board should be given stand-by controls to keep consumer credit within reasonable bounds. Industry spokesmen emphatically deny the need for controls. The amount of consumer credit outstanding at any one time does not tell the whole story. I think we have to worry more about its rate of increase and its timing with respect to other total expenditures being made in the economy. The extent to which it is financed by bank credit is one of the important questions.

Selective Production Controls Unwise

This is an intriguing problem about which it is difficult to be dogmatic. I find some of my own views have been modified over the past year. The more I study the problem the more doubts I have as to the wisdom of adding to general monetary controls, a network of selective controls. They are really efforts to control production on a selective basis and a bit clumsy because the pressure is applied at the retail level rather than the production level. I am reluctant to travel this road for several reasons. First it takes supermen to determine what commodities and in what amounts are best for the economy. Would it not be better to leave such decisions to the impersonal functioning of the competitive market?

One control usually leads to another and once embarked down this road there is no stopping short of complete regimentation. Experience over the last [illegible] years with the Government's efforts to control agricultural production should be ample warning of the pitfalls and ultimate futility of this approach. I am of the opinion that we should attempt to keep down inflation through general monetary controls and only if that attempt fails should we go to selective controls as an act, if you will, of desperation. The Federal Reserve Board is about to publish a study on consumer credit recently completed at the request of the Council of Economic Advisers. Perhaps this study will shed some needed light on the problem.

The demand for mortgage credit for housing is a robust one. We have need for a million or more new units a year to house new family formations and to replace obsolescence. Also the building trade has a powerful political lobby continually pressuring Congress for more favorable credit treatment. When money is siphoned into some one activity by preferred legislation, the result is increased pressure on the balance of the money market.

Flexible Interest Rates Should Be Restored to Housing Market

The chief inflationary offenders in the mortgage market are the several government agencies operating in the lending field: The Veterans Administration, the Federal Housing Administration, Fanny Mae and the Home Loan Bank Board. These agencies have made mortgage terms more liberal at times when the Federal Reserve Board was calling for restraint. I have heard of no criticism of conventional mortgages by nongovernment lenders. Congress and administrative agencies have tried to insulate the housing field against the rising interest market by fixing interest rates at an arbitrary 4½%. As a result it is now impossible to sell such loans except at sizable discounts. This has caused housing starts to decline and the several Federal agencies are trying to restore volume by direct lending activities, which are frequently at cross purposes with Federal Reserve Board policy. The Board is being criticized by the building trades for a situation over which it has had little or no control. I see no solution to this problem except to restore flexible interest rates on home mortgages. If rates were again made sensitive it would permit the housing people to compete in the money market on equal footing with other users of credit. The flow of funds again would be determined by market forces and the construction of new houses would be made responsive to normal housing demand. The F.H.A. has just announced an increase in its mortgage rate to 5%. Although the change is welcome, I still believe in flexible rates.

When the Hungarian people heroically cast off their shackles for a brief period early last month the free world stood in amazement. Could this mark the beginning of disintegration of the Russian satellites? What a glorious day if true. Unfortunately the time has not yet arrived. Again Russia is rattling the sabers and our country has no alternative but to continue heavy military expenditures, if we are to live in peace. Today it looks like increased pressure on the money markets for military purposes.

During 1956 states and localities will have borrowed about $5 billion. The calendar is loaded with additional pending issues. Voters approved new issues totaling $2.4 billion on election day. The tight money market and higher interest rates have impinged perhaps more heavily on cities and states than on any other class of borrower. Many urgently needed civic improvements such as schools, waterworks, roads, etc. have had to be deferred because of statutory restrictions on debts and interest rates. These hurdles will be removed. Certainly in the years immediately ahead demand from this part of the market will not diminish.

Free Wheeling Economy Outrunning Normal Capital Formation

In this rundown of demand factors I find a vigorous free-wheeling, free-spending, dynamic economy. It has out-run the normal rate of capital formation and is confused and somewhat impatient with delays and obstacles that arise in its path by way of tight money.

Now for a quick look at the sources of supply. We have already indicated that savings have reached new all-time highs, but are still inadequate to meet the unusual demand for funds. Your business and mine in the years ahead are going to do our level best to stimulate thrift and savings. We should be able to achieve somewhat better results because of the improving climate for savings. Higher interest rates will be a big help in getting the job done. We must be realistic, however, and admit that it will be a slow process to get people to save enough to meet our growing capital requirements. Perhaps even higher interest rates will prove necessary. In addition to higher rates people must have confidence that the purchasing power of their savings will be preserved. The record in this respect has been good since 1952 but price increases in recent months are again causing thoughtful people to wonder.

Bizarre Anti-Inflation Devices Being Used Abroad

Savings have a tendency to dry up during periods of rapid price increases. In many countries where inflation has been more pronounced than here, some rather bizarre devices are being used in an effort to coax out timid capital. In Finland most savings banks offer their depositors a form of account where a saver gets 4¾% interest, which is 1½% below the prevailing rate on ordinary deposits but at the end of the year his account is credited with an additional amount which will restore its original purchasing power, as indicated by a cost-of-living index. Finland also has issued government bonds with purchasing power guarantees based on price indexes. The French nationalized railroad has sold securities whose return to the investor is tied to the price of railway tickets. A cement company in Palestine has sold debentures giving the investor the option of receiving payment in actual bags of cement.

Mr. Macmillan, Great Britain's Chancellor of the Exchequer, has recently introduced what he describes as a "Premium Bond." Under this plan investors are sold a bond on which there would be no regular interest payments but on which a sum equivalent to 4% interest would be pooled and distributed as cash prizes to a few lucky persons selected at monthly public drawings. The opposition party has labeled this a lottery which is not quite accurate since the principal remains intact and only the interest earnings are left to chance. Russia, Sweden, Norway, Belgium, Italy, France, Greece, Denmark and Holland are all using a similar device, as a means of stimulating savings.

Men the world over have been active devising plans to protect themselves against inflation. In several countries insurance policies may be purchased with both benefits and premiums geared to a cost-of-living index. In this country escalator clauses in wage contracts seek to insulate the wage earner from the erosion of inflation. Suggestions also have been considered for escalator clauses in pensions and social security payments. The variable annuity which is being so hotly debated in this country is but another manifestation of the same effort to live with inflation. All these devices have the common weakness of treating the effects of the disease while ignoring or condoning the basic causes of inflation which are unsound fiscal and monetary policies of government.

Inflation Is Dishonest Hidden Tax; Cheats Citizens of Their Savings

Inflation is a dishonest hidden tax by which a government cheats its citizens of part or all of their savings. The cheating hits hardest the 40 million persons who own savings bonds, the 103 million persons who own life insurance policies, the 67 million depositors in time and savings accounts, 19 million shareholders of the savings and loan associations and 12.5 million who have pension plans of some kind, in short, virtually the entire population of the country. How can there be any compromise with such a practice? If we follow these inflation hedges to their ultimate conclusion most everyone would be protected by a gimmick of some kind and in the process inflation would be given such impetus that the entire structure must collapse. Those of us who direct the affairs of our great thrift institutions have no alternative but to fight unsound monetary and fiscal policies at their source with every ounce of energy we possess. Fortunately we have no quarrel with the monetary authorities as now constituted and functioning. Our job is to see that they are permitted to stay on a sound course.

I am forced to the conclusion that tight money will not end quickly because of any substantial near-term increases in the saving habits of our people. We should use every means at our disposal, however, to get our people to increase their savings in order to reduce inflationary pressures in the economy.

This brings me to my final question. What are the possibilities of the Federal Reserve Board abandoning its position under heat of political pressure? The reelection of President Eisenhower by such an overwhelming majority gives cause for optimism. During the campaign he repeatedly pledged his office to support the continued independence of the Board and to give the country an honest currency. He does not control Congress, however, and while there are powerful groups among both Republicans and Democrats who hate inflation, there are still minority groups who dislike tight money, groups who put political expediency or personal gain ahead of national welfare. Herein lies our gravest danger.

Support Federal Reserve in Its Intellectual Integrity

A prominent speaker at a recent meeting of the American Bankers Association recommended that a Cabinet level economic council be created to coordinate the monetary affairs of the Government. The purpose obviously would be to give the President authority to pass finally upon questions of monetary policy. This plan would destroy the independence of the Board and throw monetary policy into the maelstrom of politics. This recommendation overlooks the fact that the staffs of the Treasury Department and the Federal Reserve Board hold regular and frequent conferences at which time policy questions of both organizations are fully and frankly discussed. But following full disclosure each enjoys complete freedom to act as its good judgment dictates.

One can be certain that the Board thinks long and hard before moving contrary to Administration policy. Last May neither the Secretary of the Treasury nor the Chairman of the President's Council of Economic Advisers approved the timing of the increase in the discount rate, yet subsequent developments have fully supported the Board's position. In my opinion it would be meddling of a dangerous sort to impair in any way the independence of the Board. We have given them a tough assignment. The least we can do is to permit them to carry it out with intellectual integrity.

From another quarter the Board is being challenged by the Joint Economic Sub-committee on Stabilization. Hearings have been scheduled in about a week from now to review current and recent experience with monetary policy. Chairman William Martin of the Federal Reserve Board and Alfred Hayes, President of the New York Federal Reserve Bank and Vice-Chairman of the Open Market Committee, have been asked to appear as witnesses. From an already well established pattern it is easy to anticipate the nature of the questions to be raised.

"Tight" Money Does Not Discriminate Against Small Businessman

It has been claimed that tight money hurts the small businessman, the home buyer and the farmer while big business gets all the money it wants. This simply is not true. We at the Equitable for example have about $1 billion annually for new investments. In this period of tight money it has been our policy to take care of first, policy loans, which are contractual obligations, next our normal dwelling and farm loan business, then we accommodate all mortgage applications which meet our credit tests on loans up to $250,000 each. Above these amounts we try to take care of our old customers but frequently in reduced amounts. Last in line are new jumbo applications in amounts from $10 million and up. I know that several of the larger commercial banks are following essentially this same policy.

Mr. J. Stewart Baker, President of the Chase Manhattan Bank, recently took a look at their loans to small business. He found that, "the number of commercial and instalment loans made to small business in amounts ranging from $1,000 to $100,000 had increased by 31% in the year from August, 1955 to August, 1956. This hardly represented any pulling in of our horns. As a matter of fact, in many banks it is the loans to small business which will feel the pinch of tight money last. This follows naturally from the administrative process, since it is much easier to adopt curbs over larger loans than to apply them to a multiplicity of small and divergent transactions."

It also has been charged that high interest rates are enriching the banks and big money lenders at the expense of the little fellow. Again this simply is a serious distortion of the truth.

Real Money Lenders Are People Themselves

Anyone who buys a life insurance policy is a money lender—about 103 million of them. Likewise everyone who contributes towards a pension fund is a money lender—about 12 million of them. The 67 million depositors in time and savings accounts and the 19 million shareholders of the savings and loan associations are also lenders. Actually the money lender is the little fellow. High interest rates not only give the small lender a few extra dollars as interest but also protect him from the ravages of inflation.

These hearings will make the headlines and present a golden opportunity to explain to the people the real meaning and import of tight money. As key businessmen in your respective communities each of you has an opportunity to explain these issues to the people. Only through a widespread educational campaign can our citizens be made to understand the importance of sound money and how the continued independence of the Federal Reserve Board is necessary if we are to achieve this result.

And now in conclusion let me sum up. Assuming the Federal Reserve Board retains its freedom of initiative, we will have tight money so long as demand for funds exceeds our rate of savings. We will have tight money so long as there is a shortage in our labor force and so long as the present rate of industrial expansion continues in the expectation of increasing profits. I leave it to your good judgment to decide when changes in any of these conditions are likely to occur.

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The Role of Credit In Economic Growth

ating for goods, for raw materials, for new machinery, for labor, for credit, for capital, are prodigious.

Our annual baby crop of four million **alone** would be sufficient to keep us pretty busy—for in just two years it means adding as many people as there are in the whole of Portugal or Hungary—and it's this gross figure that counts rather than the net additions after death—for the four million babies will generate demands for extra housing, schools, hospitals, water supply, colleges—quite irrespective of how many of our old people pass on at the other end of the scale.

But this growth business is more than just keeping pace with our rising population which constitutes only a part of this fascinating story — add to this the necessity to put in new machinery to offset rising wage demands which have become almost automatic—the necessity to put in new plants just to stay in the competitive race because if you don't your competitor will, and finally the necessity to translate into machinery and brick and mortar the facilities to produce the fabulous new products that we have been inventing, and you get growth factors of demand for credit and capital which are no longer a straight mathematical projection, but more like an exponential curve. Yet we take it more or less for granted that as long as we preserve decent government and the free enterprise system, the savings and banking facilities will grow **pari passu** with the capital and credit needs of the country. This is the great economic delusion of our time.

As a matter of fact we're so dazzled by these prospects that we're apt to be taken in by those who glibly project recent rates of growth, without analysis as to how they were achieved and based thereon predict what GNP, consumer expenditures, disposable income will be in 1970—in 1980. These people then work backwards from there and if the actual figures for 1956 and 1957, if you please, haven't come up to these mythical norms — why there's proof that we've fallen behind—that we haven't come up to our growth potential—we have a production deficit which must be made up and proceed to blame the Government or the Federal Reserve or the banks, depending on what they're trying to prove.

Growth Not Automatic

But growth doesn't proceed automatically — it has organic qualities—it needs the right environment to thrive—if the right environment isn't provided growth will be stunted; if there isn't enough space to expand, growth will be limited, while hothouse treatment will produce unhealthy excesses which must be corrected before normal growth can proceed. The environment requires not only the free enterprise system but a structure in which the economy can function. A tax system attuned to its needs is a prime essential — it also requires a banking system, a debt structure, a money and credit mechanism in which it can operate effectively —and these things don't happen automatically.

Capital Demand Outrunning Savings

Right now we've got an unbelievable demand for capital that has clearly outrun the current rate of savings. Everybody is talking about it, but is anybody doing anything about it? On the contrary, if you will think back to some of the recent campaign oratory calling for lower taxes, bigger exemptions, lower interest rates, expanding spending, you might think we were back in the middle thirties—when we had an economic, fiscal and monetary climate which led Lord Keynes to develop his theory of over-saving. But over-saving is not our problem now—this is an entirely different environment—our problem is not stagnation but growth—quite another phenomenon, which generates pressures and forces all peculiarly its own—and because we haven't tackled—haven't prepared for it—we're plagued by all the various by-products of overspending.

The capital flow of last year couldn't produce all the money that the insurance companies wanted to finance the mortgage demand so they borrowed some of it from the banking system via the warehousing of mortgages. This year the capital market couldn't produce all the money that the corporations needed for capital goods expansion so the corporate treasurers fell back on their credit lines at the banks to make up the difference—this, in addition to running down their liquidity and depleting their liquid reserves to the point where they had to borrow huge sums just to pay their taxes.

Now you can say that this amounts to financing long-term capital needs with short-term money, with bank credit, and this is inflationary—and of course it is. But stating the problem doesn't solve it. We're all talking about the inflationary dangers, but is anybody doing anything about it? We're creating inflationary pressures which the Federal Reserve has to deal with, but this doesn't meet the more fundamental problem of why we have these constantly recurring pressures and what should be done to eliminate them. For it isn't the function of the Federal Reserve to provide credit as a substitute for unavailable capital—for savings—on the contrary.

The truth is that we are trying to run a $420 billion economy with various pieces of machinery which as the very result of our spectacular growth are partly outgrown, outdated, partly outmoded, which have been patched and added to without much thought except for the exigencies of the moment and without regard for their impact on other segments of the economy. The most conspicuous example of this probably is our tax system, yet we blithely assume that the government can tax away whatever it needs in any manner that political pressures dictate, and that the balances will be sufficient to take care of everything else—including growth at whatever rate is needed — the exact opposite would be much nearer the truth. A stable currency and hence a balanced budget are a prime prerequisite to growth but savings are the next essential and our tax laws are certainly not designed to maximizing them.

The other and no less significant aspect of the tax laws with respect to growth are their impact on the use of credit and the rate of interest. As at present constituted our income tax laws not only dilute the incentive to save, and thereby weaken the classical functions of the interest rate, but simultaneously place a virtual premium on borrowing every cent one can lay one's hands on, because the interest cost is deductible so that a 1% increase in the borrowing rate is only ½% after taxes, thus diluting the effectiveness of the interest rate as a deterrent to over-borrowing—especially and doubly so an inflationary price environment. Add to this that money even before taxes has for a long time been by far the cheapest commodity in the market, and you have had a veritable mandate to go into debt. The consequences of this double-barrelled impact of the tax laws on borrowing and saving are pervasive—they mean a higher interest rate is needed to produce the same restraint on borrowing than would otherwise be the case. Inflationary tendencies are accentuated by the tax-induced pressure to make up by borrowing for the savings that have been taxed away or are not forthcoming in sufficient volume to accommodate the growth demands—yet it is absolutely essential in order to develop savings at any interest rate to create and have the assurance that the savings will not be dissipated by inflation. When that assurance is not present—and you have but to look around the world for any number of case histories—the interest rate becomes nothing more than an index of the anticipated rate of depreciation of the currency.

In our case happily the sharp rise in the interest rate is not such a phenomenon — but instead reflects the enormous tax-accentuated demands for credit and capital generated by our dynamic growth—the very rise, however, has revealed structural defects and weaknesses not previously apparent. Foremost among these is the emergence of the "convenience investor" as a prime factor in our banking and money market mechanism, to wit: the corporation treasurers, the pension fund managers, the nonbanking financial institutions, the Turnpikes, the Port Authorities and all those who now keep their surplus funds at work by investing them in U. S. Treasury bills or commercial paper instead of leaving them on deposit with the commercial banks as they used to in the past, when banks were permitted to pay interest on demand deposits. The prohibition thereagainst set forces into motion which inertia and habit and the long era of artificially low money rates obscured for many years. Once money rates advanced, however, there followed a great shift in institutional habits with respect to the disposition of short-term balances. Of even greater impact was the fact that both the number of these "convenience investors" and the size of their short-term balances seeking temporary remuneration have grown prodigiously — the amounts of money held periodically by treasurers of corporations in anticipation of dividend disbursements, tax payments and other purposes are bigger than ever and destined to grow even more. The effects have been far reaching—and have given rise to a whole series of other problems which impinge on growth. The fact that the "convenience investors" draw down any excess bank balances and invest them in bills or other interest-bearing instruments, has thrown the loan/deposit ratio of the banks out of kilter; loans are made from deposits, and when the deposits aren't there the ability to make loans is restricted. Simultaneously the liquidity ratio of the banks is disturbed, because the corporation treasurer has drawn down his deposits to buy the bills from the banks, which accordingly don't have them on the asset side of their balance sheet.

The Treasury bill has emerged as the prime instrument of the money market supplanting the bank deposit as the foremost liquidity vehicle. This then places the Treasury in the unwilling position of being under constant pressure to accommodate the form of its borrowing to the needs of the business community and the mechanics of the money market rather than its own feelings of what constitutes a proper and prudent debt structure and which may run in just the opposite direction. We have thus created the anomalous situation where the sounder the position of the Treasury, the greater the surplus—the more cramped is apt to be the supply of government paper which American business has come to rely on to go in and out of as the major respository of its liquid working capital. This may be a real problem next spring when the Treasury will have a big cash surplus.

We need a broad and active money market to accomodate our dynamic economy—and we need to give serious thought to its structure and its relationship to the banking, credit and fiscal mechanism, as Allan Sproul has suggested. We ought to take a look at the limitations placed on banks as to the rates they may pay on time deposits fixed at a time when interest rates generally were much lower with the result that these time deposits are now being shifted out of the banks to other forms or transferred to Canada. At some point also when the present heavy demand for credit has subsided we ought to reexamine the distinction made between reserves required of Central Reserve city banks, Reserve city banks and Country banks, particularly the first two, which time and growth have made obsolete.

Mechanical and Structural Difficulties

The flexibility and maneuverability of the banking system to accommodate growth has also run into mechanical and structural difficulties in other respects. In the first place the growth of the corporation has outpaced the growth of the bank so that the 10% limitation on credit extended by a bank to any one borrower has become a real limiting factor. One reason for this is that the long period of artificially easy money prevented the normal growth of banking capital resources. In addition the effective mobilization of 14,000 individual pools of lending power is inhibited by our branch banking legislation enacted years ago when conditions were quite different. We ought to take a fresh look at the device of the holding company —and the application of the First National City Bank for permission to form a holding company which would enable it to cross the county line may prove to be the answer — and in reviewing this problem we should bear in mind that the time is not too far off when no bank will be able to operate successfully unless it is big enough to afford a computer.

The net of all these structural problems and deficiencies is that the capacities of the banking system to keep pace with the constantly rising needs of industry are running into limitations—and growth requires the capacity to expand debt—as well as adequate quantities of savings and risk capital.

Nor can these deficiencies be made up by monetary policy—in fact the problem of monetary policy is quite another chapter and quite a different problem—what the Federal Reserve has in effect been saying is that the rate of growth at which the country has been trying to expand is in excess of what our structure can accomodate, what our savings can sustain, and what our physical capacity can produce—that these are inflationary tendencies for it is one of the paradoxes of inflation that it is a condition where nobody has enough money because everybody has too much.

This is one of the reasons why there is so much criticism of the Federal Reserve Board and why right now we are having a debate about tight money and how to make Federal Reserve policy jibe with the mandate of the Employment Act of 1946—which is to—and I quote— "promote maximum employment, production and purchasing power." Since the passage of this Act we've had a number of Congressional hearings on the question as to what precisely should be the guideposts of monetary policy in the light thereof—without, however, really coming to grips with the problem—but leaving the widely held popular impression that if unemployment develops beyond a certain point the government would, or at least should, be expected to: (a) unbalance the budget; and (b) make money rates easier.

The unhappy truth, however, is that "easy money" does not generate or guarantee full employment any more than you can accomodate growth by making up for insufficient savings by inflation. Conversely, high money rates are not inconsistent with growth or full employment and they don't generate downturns in general business as the critics of tight money would have us believe; rather, such downturns stem from a previous imbalanced over-expansion which cannot be maintained in any case.

The suggestion that the Federal Reserve Board be insulated against such criticism and be relieved of the onus of implementing the rather loosely defined and if taken literally—the impossible mandate implicit in the Employment Act of 1946 by the formation of a National Economic Council to coordinate and formulate national monetary and credit policy is, it seems to me, a step backward rather than forward; as a matter of practical politics this proposal appears more likely to weaken rather than strengthen the independence of the Federal Reserve Board; the fact that we have adopted the Employment Act of 1946 doesn't mean that we have thereby abrogated all other conflicting legislation including the Federal Reserve Act—and that we must make everything conform irrespective of the consequences—rather we should broaden understanding of what is possible and what is not possible—instead of diluting the powers of the Federal Reserve Board, we should strengthen them—give the Board additional tools if it deems it necessary to ask Congress for them and examine the question of whether and to what extent the power of other Federal agencies to cut across its policies should be curtailed or eliminated.

Political Pressure

In any economic crisis there'll always be political pressure to resolve it by increasing the money supply and driving interest rates down but growth requires the environment of a stable currency and growth also requires bigger savings to supply its mounting capital demands. This means **higher**, not lower interest rates—we urgently need greater public comprehension of what the Federal Reserve is trying to do and of the fact that submitting to the discipline of a higher interest rate is one of the prices—and a very cheap one much to be preferred to controls—that we must pay for sustained growth. And our growth potential is so huge as to point to a permanently higher plateau of interest rate than what we have been accustomed to—this in turn raises another problem for the role of credit in economic growth, to wit: how best to accommodate the Treasury's financial needs and manage the public debt, much of which was contracted when interest rates were much lower.

The Treasury will accordingly continue to find itself in a position of having to refinance maturities with higher coupons as well as facing attrition on its savings bond programs. Higher interest rates reflect themselves in lower bond prices. This means portfolio losses for the institutional holder and for the banking as well as the non-banking holder, who has bought the security merely as a storehouse of value pending such time as he was ready to use the funds for some other corporate purpose. It means the liquidity of his government bond has become liquidity at a price.

Reserve Should Be Strengthened

So, when government bonds go down materially, it always creates cries that the Federal Reserve should be brought to book and prevented from raising the cost of the public debt at the expense of the taxpayer—another reason why the independence of the Federal Reserve Board should be strengthened rather than weakened and why public understanding of what is involved is so important—for yielding on this issue would mean that the whole struggle to unpeg the government bond market prior to the Federal Reserve-Treasury accord of 1951 would have to be fought over again. The answer to the handling of the government debt in the face of a permanently higher interest rate does not lie in the return to artificially low interest rates pegged by the use of Federal Reserve credit, but in the gradual and patient rolling over of the existing debt into a rate structure that more nearly reflects the capital demand-supply ratio predicated by our growth.

All these pressures and problems are by-products of our fabulous growth which we're all talking about but about which no one is doing very much in comprehensive fashion. Here we have a $420 billion economy and we are wondering why should we have all these stresses and strains when we're trying to operate it with banking credit, tax, fiscal and money market structures, mechanisms, and procedures that are partly outmoded, partly outgrown, and that haven't been comprehensively reviewed since the Federal Reserve Act, not to mention some of the new-fangled contraptions that we've added that would certainly get us into a peck of trouble if we ever seriously tried to operate them.

We can't dodge the issue indefinitely. Having failed to tackle the problem, we've resorted to temporary expedients — but we'll never attain our real growth potential by just running down our liquidity—in business or in banking, or further speeding up the velocity of the currency or continuing to try to substitute debt for inadequate savings—in fact we've stretched all these devices about as far as they will go. Here is a challenge for hard, imaginative and constructive thinking embracing not only one segment but the whole spectrum of the economy. There is no reason why the businessman and the banker shouldn't be as ingenious as the chemist and the engineer — to simply assume that our existing mechanisms will more or less take care of everything is an illusion. We will need to make many structural changes, the nature of which will take much thought. We will have to foster savings in a big way. We will have to create new institutions. We will have to invent new devices and we'll have to review our folklore about mergers and size *per se*. We will have to do a lot of thinking in which the public will have to participate — in short, I think we should all begin to do something about our fabulous growth instead of just talking about it—for if we don't it may choke us.

Treat Director

Amos Treat, President of Amos Treat & Co., Inc., has been elected a director of Gold Seal Dairy Products Corp., it was announced yesterday.

Continued from page 3

Long-Range Rail Outlook

figuring on future cutbacks on some items to meet competition, and making allowance for the difficulty in obtaining approval on intra-state rate increases, I figure the 7% hike will add $450 million to revenues. As you can see, this would be ample to meet the immediate increase in costs.

The eastern and western railroads have also filed a separate request for a 15% freight rate boost, but the southern carriers have not joined them in this. The 15% petition will be subject to prolonged hearings that may take three or four months, and it is uncertain what portion will be approved. However, the ICC must recognize that rail earnings have to be maintained at an adequate level if the industry is to successfully finance its present large order of badly-needed new freight cars. The railroads on average, currently obtain a 4% rate of return on their invested capital, which, you gentlemen know, is far from satisfactory. Therefore, the Commission may permit, increases well in excess of the immediate rise in costs. Trucks are also having a hard time to make both ends meet and are also anxious to increase rates. For this reason, railroad officials generally do not expect to lose traffic when rail rates are advanced.

At this date, there is no real reason for expecting 1957 freight volume to differ much from 1956. The immediate outlook for coal and steel production appears quite favorable, and both these items are important to rail traffic. However, car loadings currently are running slightly under a year ago, and some economists feel there may be a general let-down in business activity in the second half of 1957. If we assume that volume in 1957 will be similar to 1956, and if we assume that rate relief will more than offset added costs, then the railroads should produce somewhat better earnings next year than in 1956.

Differences Between Rail Stocks

Large segments of the railroad industry are severely handicapped by a super-abundance of unprofitable passenger business, heavy terminal costs (particularly in the New York and Chicago area), light-density branch mileage, and short-haul. For this reason, profit margins for several of the large carriers, such as Pennsy, N. Y. C., Chicago Northwest, and Milwaukee are far from robust, and drag down the industry figures. However, there are many railroads that are relatively free of these basic handicaps, and profit margins differ widely among individual carriers.

Class I railroads, as a whole, brought down 15.3% of operating revenues in 1955 to net operating income before deduction of Federal income taxes. In the same year, more efficient carriers were able to bring down 20-30% or even better. As examples I cite **Virginian** with a whopping 45%; **Kansas City Southern 33%; Norfolk & West 32.7%; Western Maryland 32.3%; Denver Rio Grande Western 30.3%; C & O 27.4%; Southern Rwy. 26.1%; Nickel Plate 23.4%.** This compares with a meager 7.5% for **Pennsy; 10% for N. Y. C.; 3.9% for Chicago & Northwest;** and **7% for Milwaukee.** Many of the the more efficient carriers have low wage ratios amounting to 40% or less of operating revenues, while wage ratios for the marginal roads run 50% or even higher. Thus, when the ICC grants rate relief to offset increased wage costs on an industry-wide basis, the companies with high wage ratios do not make out too well, while those with low wage ratios tend to be over-compensated. There has been a trend in recent years for the strong, efficient carriers to become more and more prosperous, while the marginal roads have had to struggle harder and harder to make both ends meet. Since World War II, stock purchases in the more efficient segment of the industry have worked out extremely well, while speculations in the marginal situation have often proved to be ill-advised. As long as the inflationary spiral continues to increase wages and rates, I see no reason for this trend to change.

Taxes and Earnings

Computing profit margins, before income taxes, rather than after taxes, was done with good reason.

For income tax purposes the railroads, like other industries, have been permitted to depreciate over a five year period part of the costs of new rolling stock and roadway installations deemed necessary for defense purposes. However, unlike the industrials, the fast depreciation is not charged to operating expenses, so that rail earnings, in effect, are over-stated. This device does not reduce taxes in the long run, it simply postpones them until later years.

Fast amortization is no longer granted, except in freight cars ordered prior to Dec. 31, 1955. With amortization running out, the industry ordered great numbers of freight cars late in 1955 and deliveries will not be complete until 1957. While the benefits will continue for another five years, it will be at a much reduced rate after 1957 or 1958 for most roads. All else remaining equal, earnings will then tend to decline.

Some railroad officials feel that the so-called "sum of the digit" depreciation will cushion the decline and others feel that accelerated amortization may be reinstated if a freight car shortage develops again. There is a big difference between individual roads. Some are paying no Federal income taxes, and others are paying 40% or more as against the regular 52% rate.

In the following, the first column shows the estimate of earnings for 1956, and the second column provides an estimate of income tax savings on accelerated amortization:

N. Y. Central	1.85	6.00
ACL	1.37	5.25
L & N	2.63	11.00
Rock Island	1.23	5.25
South. Pac.	1.63	6.00
Seaboard	0.93	4.20
B & O	2.47	10.00
Milwaukee	1.41	2.25
Frisco	1.64	3.50
Denver	0.75	5.25
Great Northern	0.66	5.10
Nickel Plate	0.35	3.95
Southern Railway	0.81	5.60
Norfolk & Western	0.87	7.25
Virginian	0.92	9.75
Soo Line	0.50	3.69
C & O	1.50	8.10

In addition to operating efficiency, careful consideration must also be given to past and probable future traffic trends of the individual carrier. I will name in order the roads that have shown the best revenue gains since 1947-1949, using a three year average. **Virginian Ry. 150; Norfolk & Western 138; Kansas City Southern 135; C & O 133; Great Northern 133; Western Pacific 131; Seaboard 130; Nickel Plate 130; Atlantic Coastline 128; Denver 125; Northern Pacific 125.**

You will note that the three Pocahontas coal roads are right up at the top. The outlook for high-quality West Virginian coal appears excellent, and **Virginian, Norfolk & Western,** and **C & O** are likely to lead the industry in growth in the period immediately ahead. All of the others listed should do better than the industry average, with the possible exception of **Nickel Plate,** whose traffic volume may be adversely affected by the St. Lawrence Seaway, and by a more progressive competitor in **New York Central.**

Other roads that have better than average growth prospects are **Southern Railway, Southern Pacific,** and **L & N.** It is to be noted that many of the roads that have shown the best growth in recent years, are also among those with the best efficiency records, and my preference in rail stocks lies with these companies.

The Market Generally

Before naming my favorites more specifically, I should like to say a word about the market generally. A year ago, a 6% yield on one of the better quality rail commons seemed mighty attractive. Now, with high-grade utility bonds being offered on a 4.25% basis, with **Missouri Pacific** and **Baltimore & Ohio** first mortgage bonds yielding better than 5½%, and some of the more speculative rail bonds yielding more than 7%, a 6% yield for a railroad common stock does not seem at all enticing. Money is likely to remain tight so long as the business boom continues to keep up steam, and, with high interest rates acting as a brake on stock prices, my enthusiasm for rail commons is not high at the moment. This does not mean that I am bearish, but rather that I have little conviction rail stocks as a class will move far in either direction over the immediate future. Then, too, the railroads will talk poor mouth until the rate hearings are over in mid-March.

On a long-range basis, the following stocks seem reasonably attractive now: **C & O; Norfolk & Western; Virginian; Kansas City Southern; Southern Railway; Denver & Rio Grande Western; Great Northern;** and **Nickel Plate.**

Favorites Named

C & O; Norfolk & Western; and **Virginian** have all increased their dividends recently and have registered good market advances in 1956. Marketwise, they may rest on their laurels in the immediate future and further price gains in 1957 seem somewhat unlikely, but these good quality stocks provide generous yields and have long range potentialities. **C & O** will earn $8.20 this year and is paying $4. Management expects traffic volume and earnings to improve further in 1957, and, like the other Pocahontas carriers, is spending large sums for rolling stock and facilities to meet the expanded demand for soft coal, both here and abroad. **Norfolk & Western's** indicated dividend rate is $4.20. Earnings of around $7.25 seem likely this year. The road is just beginning to displace its steam engines with diesels, and, while the changeover is likely to be gradual, it could produce substantial savings in the long run. Debt is extremely conservative, so that you have a high-quality stock with a 6% yield, that has potentialities of really worthwhile improvement. **Virginian** will earn about $9.75 this year, and prospects for 1957 and beyond seem favorable in view of the rising export coal market. It paid $1.25 extra and increased the regular dividend to $1 quarterly recently. With earnings at the $10 level, the road can afford to pay out $5 or better, but with its heavy equipment program, it would be hazardous to guess the extra dividend in 1957.

Freight increases on soft coal will be held down by exemptions and limitations, so that the Pocahontas carriers will not benefit as much as other railroads by a rate hike. However, with coal traffic booming, this should not prevent these roads, with their low wage ratios, from doing well.

Southern Railway will earn about $6 a share this year and, now that the 1956 bond maturities are out of the way, an increase in the dividend rate to $3 seems likely in the not too distant future. Management is contemplating ways and means of absorbing its profitable subsidiary companies (Alabama Great Southern, Cincinnati, New Orleans & Texas Pacific), which would add to reported earnings. This efficient road serves a growing territory and the stock still seems relatively cheap.

Kansas City Southern will earn $11 on a consolidated basis this year. The $4 dividend is almost sure to be substantially increased; the only question is how soon. With little passenger business or branch lines, this is a highly profitable operation and the Gulf Coast area is expanding industrially. This good quality stock is conservatively valued.

Denver & Rio Grande Western has been buying in its outstanding common stock and, with a strong cash position, the management probably will continue this policy. This suggests that the $2.50 dividend may not be increased soon despite earnings of almost $5.50 this year, but continued stock purchases make the remaining shares more valuable.

Nickel Plate will earn almost $4 this year, and the $2 dividend provides a juicy 7% yield. With one-third of its freight traffic still handled by steam locomotives, further efficiency gains through dieselization can still be achieved.

Great Northern's $3 dividend is liberal relative to estimated earnings of over $5 in 1956, but the latter does not include undistributed net income from its large holding of C B & Q stock, Spokane, Portland & Seattle or Western Fruit Express, and the road is financially strong.

Halsey, Stuart Group Offers Long Island Ltg. Co. 4¾% Bonds

Halsey, Stuart & Co. Inc. is Manager of an investment banking syndicate which is offering today $20,000,000 Long Island Lighting Co. first mortgage bonds, series I, 4¾% due Dec. 1, 1986, at 102.75% and accrued interest, to yield 4.58%. Award of the bonds was won by the underwriters at competitive sale yesterday (Dec. 5) on a bid of 101.60%.

Net proceeds from the sale of the bonds will be used by the company for the construction of utility plant and to repay bank loans incurred in connection with the construction program. Construction expenditures for the period Oct. 1 1956 to Dec. 31, 1957 are estimated at $65,000,000.

The new bonds will be redeemable at regular redemption prices ranging from 107.75% to par, and at special redemption prices receding from 102.75% to par, plus accrued interest in each case.

Long Island Lighting Co. supplies gas and electric service in Nassau and Suffolk Counties and the contiguous Queens County (New York City). More than 76% of its revenues is derived from electric service. Population of the territory served by the company is estimated at more than 1,600,000.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Allied Laboratories, Inc.
Nov. 26 (letter of notification) an undetermined number of shares of common stock (no par) to be offered to employees pursuant to an Employees Option Plan. **Price**—Not to exceed an aggregate offering price of $50,000. **Proceeds**—To purchase stock off the open market. **Office**—406 W. 34th St., Kansas City, Mo. **Underwriter**—None.

★ Amalgamated Minerals, Ltd.
Nov. 23 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For mining expenses and development of oil properties. **Office** — 901 Sherman St., Denver, Colo. **Underwriter**—Lackner & Co., Denver, Colo.

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 1,136,250 shares of common stock (par $1), of which 575,000 shares were on Nov. 29 sold to the public; 435,000 shares offered to agents and employees of company from Nov. 29 to Dec. 27; and 126,250 shares to employees pursuant to certain stock purchase options 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, Wulbern, Inc., of Jacksonville, Fla.

● Arkansas Louisiana Gas Co. (12/11)
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.

★ Basic, Inc.
Nov. 23 (letter of notification) an undetermined number of shares of common stock to be offered under the company's Salaried Employees' Consolidated Profit Sharing & Retirement Plan. **Price**—Not to exceed an aggregate of $100,000. **Proceeds**—To purchase said stock. **Office**—845 Hanna Bldg., Cleveland, Ohio. **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.

★ Bonista Co.
Nov. 27 (letter of notification) 850 shares of common stock (par $100) and $212,500 of 6% second mortgage debenture bonds to be sold in units of one share of common stock and a $250 debenture bond. **Price**—$350 per unit. **Proceeds** — For construction, equipment and working capital. **Office**—1609 Orleans Ave., New Orleans, La. **Underwriter**—None.

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.
Nov. 9 filed $30,154,700 of 4½% convertible subordinated debentures due Dec. 1, 1981, being 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**—At par (flat). **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.

★ Central Illinois Light Co.
Nov. 23 (letter of notification) 5,555 shares of common stock (no par) to be offered to employees pursuant to stock purchase plan at 90% of average closing price on the New York Stock Exchange for a five-day period prior to purchase. **Proceeds**—For construction, improvement or extension of facilities or for general corporate purposes. **Office**—316 S. Jefferson Ave., Peoria, Ill. **Underwriter**—None.

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.

★ Chart-Pak, Inc.
Nov. 27 (letter of notification) 4,150 shares of common stock (par $2.50). **Price**—$12 per share. **Proceeds**—For the purchase of land and construction of plant and repayment of debts. **Office**—100 Lincoln Ave., Stamford, Conn. **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.

★ Community Public Service Co.
Nov. 27 (letter of notification) an undetermined number of shares of common stock (to aggregate $297,547.50) to be issued under the company's Thrift Plan for Employees. **Proceeds**—To purchase stock on the open market. **Office**—408 West Seventh St., Fort Worth 2, Texas. **Underwriter**—None.

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.

★ Desert Empire Uranium Co.
Dec. 3 (letter of notification) 10,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office**—5651 Emile St., Omaha 6, Neb. **Underwriter**—None. In addition, 7,000,000 shares are to be issued in exchange for properties.

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.

★ Dixie Queen Mining, Inc.
Nov. 26 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office** — 323 North Second St., Phoenix, Ariz. **Underwriter**—None.

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.

● Eternalite, Inc., New Orleans, La. (12/26-28)
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.

★ Faraday Uranium Mines, Ltd., Toronto, Canada
Nov. 30 filed 595,000 shares of capital stock (par $1) to be issued upon exercise of stock purchase warrants which were issued early in 1956 in connection with a public offering of $8,500,000 of 5½% sinking fund debentures. These warrants are exercisable on and after Jan. 1, 1957. **Price**—$1.75 per share. **Proceeds**—To retire some of the debentures. **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.

★ Fleetwood Motel Corp.
Nov. 27 (letter of notification) 15,000 shares of class A common stock (par $1) and 1,432 shares of class B common stock (par $1). **Price**—Of class A common, $7 per share, and of class B common, $1 per share. **Proceeds**—For completion of purchase of 3002 Pacific Ave., Atlantic City, N. J. and for working capital. **Office**—Suite 808-121 South Broad St., Philadelphia 7, Pa. **Underwriter**—None.

● Florida Growth Fund, Inc. (12/10)
Nov. 23 filed 2,000,000 shares of common stock (par 10 cents). **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. **Offering**—Postponed.

★ Gaynor-Bagstad Co.
Nov. 23 (letter of notification) 500 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For repayment of short term notes and working capital. **Office**—313 Jackson St., Sioux City, Iowa. **Underwriter**—None.

General Credit, Inc., Washington, D. C.
Aug. 17 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working captal. **Underwriter** — None named. Offering to be made through selected dealers.

General Telephone Co. of California (1/10)
Nov. 13 filed 500,000 shares of 5% cumulative preferred stock (par $20). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Paine, Webber, Jackson & Curtis, New York, and Mitchum, Jones & Templeton, Los Angeles, Calif.

● General Telephone Corp. (12/10)
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. (12/17-21)
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 being offered for subscription by common stockholders of record Nov. 5, 1956 on the basis of $100 of debentures for each 200 shares of common stock, or fraction thereof held; rights to expire on Dec. 28. **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.

★ Hancock Electronics Corp., Redwood City Calif.
Nov. 19 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For research and development. **Business**—Closed circuit television. **Office**—2553 Middlefield Road, Redwood City, Calif. **Underwriter**—Daniel Reeves & Co., Beverly Hills, Calif.

● 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. **Offering**—Postponed.

★ Hawaiian Pineapple Co., Ltd. (12/28)
Nov. 29 filed 413,920 shares of common stock (par $7.50) to be offered for subscription by common stockholders of record Dec. 28, 1956 on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for working capital. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

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.

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 Capital Corp., Des Moines, Iowa
Nov. 29 filed 370,000 shares of common stock (par 10 cents), of which 185,000 shares are to be offered by The Equity Corp. on a share-for-share basis in exchange for Equity Corp. common stock, and the remaining 185,000 shares by Financial General Corp. on a basis of 1⅔ shares of International common stock in exchange for one share of Financial common stock. Equity and Financial are to receive the 185,000 shares each of International common stock in exchange for all the outstanding shares of common stock of Investors Financial Corp. and Group Equities, Inc. International has been informed that 142,000 shares of Equity common owned by Fremont Corp. will be tendered in acceptance of the Equity exchange offer. **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.

● K D I Corp., Rochester, N. Y. (12/14)
Nov. 16 filed 81,428 shares of 7% participating cumulative preferred stock (par $5), of which 71,428 shares are to be offered to public. **Price**—$7 per share. **Proceeds**—For machinery and equipment, working capital and other corporate purposes. **Underwriter**—McDonald, Holman & Co., Inc., New York.

Kerr Income Fund, Inc., Los Angeles, Calif.
July 30 filed 100,000 shares of capital stock (par $1), of which 9,300 shares will be initially sold at $10.98 per share. Additional shares will be offered at a price equal to the net asset value of the Fund, plus a sales load of 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.

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NEW ISSUE CALENDAR

December 6 (Thursday)
New York Central RR.________Equip. Trust Ctfs.
(Bids to be invited) $8,055,000

December 10 (Monday)
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

Florida Growth Fund, Inc.________Common
(Frank B. Bateman, Ltd.) $10,000,000

General Telephone Corp.________Common
(Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp., and Mitchum Jones & Templeton) 800,000 shares

K D I Corp.________Preferred
(McDonald, Holman & Co., Inc.) $499,996

Mohawk Airlines, Inc.________Debentures
(Mohawk Valley Investing Co.; Allen & Co., and Gregory & Sons) $684,900

Montreal (City of)________Debentures
(Bids to be invited) $22,481,000

Northeast Airlines Inc.________Common
(Carl M. Loeb, Rhoades & Co.) about $7,590,000

People's Finance Corp.________Preferred
(Paul C. Kimball & Co.) $500,000

December 11 (Tuesday)
Arkansas Louisiana Gas Co.________Common
(Eastman Dillon, Union Securities & Co.) 840,000 shares

Commercial Discount Corp.________Preferred
(Julien Collins & Co. and Crittenden, Podesta & Co.) $1,000,000

Delaware Power & Light Co.________Preferred
(Bids to be invited) $3,000,000

Florida Power & Light Co.________Bonds
(Bids 11:30 a.m. EST) $20,000,000

Illinois Central RR.________Equip. Trust Ctfs.
(Bids noon CST) $9,300,000

Sierra Pacific Power Co.________Bonds
(Bids 11 a.m. EST) $3,000,000

December 12 (Wednesday)
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

Texas Eastern Transmission Corp.________Debentures
(Dillon, Read & Co. Inc.) $40,000,000

December 13 (Thursday)
May Stores Realty Corp.________Bonds
(Goldman, Sachs & Co. and Lehman Brothers) $25,000,000

December 14 (Friday)
Ling Electronics Inc.________Debentures
(Perkins & Co., Inc.) $1,000,000

Ling Electronics Inc.________Common
(Offering to stockholders—to be underwritten by Perkins & Co., Inc.) 183,333 shares

December 17 (Monday)
Genisco, Inc.________Debentures and Common
(Wilson, Johnson & Higgins and Lester, Ryons & Co.) $300,000 debentures and 33,000 shares of stock

Guardian Consumer Finance Corp.________Preferred
(Van Alstyne, Noel & Co.) $750,000

Peerless Life Insurance Co.________Common
(Newborg & Co.) $287,500

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

December 20 (Thursday)
Maine Fidelity Fire & Casualty Co.________Common
(McLaughlin, Cryan & Co.) $1,243,750

December 26 (Wednesday)
Eternalite, Inc.________Class A Common
(Vickers Brothers) $900,000

December 28 (Friday)
Hawaiian Pineapple Co., Ltd.________Common
(Offering to stockholders — Underwritten by Dean Witter & Co.) 413,920 shares

January 3, 1957 (Thursday)
Southern Pacific Co.________Equip. Trust Ctfs.
(Bids to be invited) $9,600,000

January 7, 1957 (Monday)
Idaho Power Co.________Bonds
(Bids to be invited) $20,000,000

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

Wabash RR.________Equip. Trust Ctfs.
(Bids to be invited) about $2,000,000

January 10, 1957 (Thursday)
General Telephone Co. of California________Preferred
(Paine, Webber, Jackson & Curtis and Mitchum, Jones & Templeton) $10,000,000

Missouri Pacific RR.________Equip. Trust Ctfs.
(Bids to be invited) $4,875,000

New Jersey, Indiana & Illinois RR.________Equip. Tr. Ctfs.
(Bids to be invited) $1,400,000

January 15, 1957 (Tuesday)
Louisiana Power & Light Co.________Bonds
(Bids to be invited) $20,000,000

Valley National Bank________Common
(Offering to stockholders — may be underwritten by William R. Staats & Co. and Blyth & Co., Inc.) 105,000 shares

January 16 (Wednesday)
Norfolk & Western Ry.________Equip. Trust Ctfs.
(Bids to be invited) about $4,650,000

January 22, 1957 (Tuesday)
Cincinnati, New Orleans, Texas & Pacific Ry.________Equip. Trust Ctfs.
(Bids to be invited) approximately $4,000,000

Southern Indiana Gas & Electric Co.________Bonds
(Bids to be invited) $5,000,000

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

Oklahoma Gas & Electric Co.________Bonds
(Bids to be invited) $20,000,000

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● Kromex Corp., Cleveland, Ohio (12/12)
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 (12/12)
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.

★ Lefevre Chemical Co.
Dec. 3 (letter of notification) 33,333 shares of capital stock (par 50 cents), of which 7,500 shares are to be offered for account of two selling stockholders, and 25,833 shares for account of company. **Price**—$1.50 per share. **Proceeds**—For working capital. **Office**—1639 West Main St., Oklahoma City, Okla. **Underwriter**—None.

● Libby, McNeill & Libby, Chicago, Ill.
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**—At par (flat). **Proceeds** — To reduce bank loans. **Underwriter** — Glore Forgan & Co., Chicago, Ill.

● Libby, McNeill & Libby, Chicago, Ill.
Nov. 9 filed 610,664 shares of common stock (par $7) being 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**—$12 per share. **Proceeds**—To reduce bank loans. **Underwriter**—Glore, Forgan & Co., Chicago, Ill.

Life Insurance Co. of South Carolina
Oct. 15 filed 339,600 shares of common stock (no par) to be offered for subscription by stockholders of record Sept. 12, 1956 at the rate of two shares of new stock for each share held. **Price**—To stockholders, $10 per share; and to public, $15 per share. **Proceeds**—For expansion and working capital. **Underwriter**—None. Public offering will be made by employees of the company and qualified licensed dealers.

● Ling Electronics, Inc., Los Angeles, Calif. (12/10)
Nov. 5 filed $1,000,000 of 6% convertible debentures due Dec. 1, 1966. **Price**—100% and accrued interest. **Proceeds**—For general corporate purposes. **Underwriter**—Perkins & Co., Inc., Dallas, Texas.

● Ling Electronics, Inc., Los Angeles, Calif. (12/10)
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**—$3 per share. **Proceeds**—For general corporate purposes. **Underwriter** — Perkins & Co., Inc., Dallas, Texas.

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 (in denominations of $500 and $1,000 each). **Proceeds**—For equipment, inventory and working capital. **Underwriter**—Quincy Cass Associates, Los Angeles, Calif.

★ Louisiana Power & Light Co. (1/15)
Dec. 4 filed $20,000,000 of 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.

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.
Oct. 11 filed 630,000 shares of common stock (par $1.25) being 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** — $11.25 per share. **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.

★ Maine Fidelity Fire & Casualty Co. (12/20)
Nov. 28 filed 99,500 shares of capital stock (par $5). **Price**—$12.50 per share. **Proceeds** — To increase capital and surplus. **Office**—Portland, Me. **Underwriter**—McLaughlin, Cryan & Co., New York.

★ Mairco, Inc.
Nov. 26 (letter of notification) 2,900 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For expenses in manufacturing automatic controls for sale to manufacturers using such controls in their products. **Address**—R. F. D. No. 2, Goshen, Ind. **Underwriter**—None.

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 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. Company has received a $25,000,000 bank loan to mature Sept. 30, 1957.

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. (12/10-14)
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 up to 11 a.m. (EST) on Dec. 10.

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.
Nov. 9 filed $28,170,500 4½% convertible subordinated debentures due Dec. 15, 1981, being 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 England Electric System
Dec. 3 filed 819,000 shares of common stock (par $1) to be offered in exchange for capital stock of Lynn Gas & Electric Co. on the basis of two NEES shares for each Lynn share. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and F. S. Moseley & Co., both of Boston, Mass.

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)
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 of record Dec. 7, 1956, other than Atlas Corp. (rights to expire on Dec. 17); approximately 6% of the shares to Atlas Corp.; and the balance of the shares, or 50% of the offering, will be offered to the public. **Price**—To be supplied by amendment. **Proceeds**—For expansion of operations; toward payment of 10 aircraft and related equipment; and for general corporate purposes. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York. Atlas Corp. may purchase a portion of shares offered to other stockholders which remain unsubscribed by them.

Ocean City Pier Corp., Berlin, Md.
Oct. 4 filed $2,000,000 of 6% debenture bonds due July 1, 1976, and 4,000,000 shares of common stock (par one cent) to be offered in units of one $100 bond and 200 shares of stock. **Price**—$300 per unit. **Proceeds** — For construction and operation of amusement pier. **Underwriter** — Paul Korns, a director, of Johnstown, Pa. Lt. Col. James A. Grazier of Whaleysville and Ocean City, Md., is Chairman of the Board.

Ohio Power Co.
Sept. 20 filed 60,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Blyth & Co., Inc.; Kuhn Loeb & Co.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc. and Stone & Webster Securities Corp. (jointly); Lehman Brothers. **Bids**—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. (12/17-21)
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.

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.

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.

● 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, which has been declared effective, has been extended until 3 p.m. (EST) on Feb. 1, 1957.

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 5⅜s, the only one received. It was rejected.

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. **Offering**—Temporarily postponed.

● **Sun Castle, Inc., Pompano Beach, Fla.**
Oct. 15 filed 1,598 shares of common stock (par $5) and 800 registered 6% mortgage bonds due March 15, 1972 (of $1,000 principal amount each). **Price**—At par. **Proceeds**—To construct and operate a resort motel and club upon property in Broward County, Fla. **Underwriter**—None. Ernest C. Cassill is President and Treasurer. Statement effective Nov. 27.

★ **Sunrise Fund, Inc., New York, N. Y.**
Dec. 3 filed 500,000 shares of capital stock. **Price**—$5 per share. **Proceeds**—For investment. **Business**—Presently is a closed-end investment company but will become an open-end company in March, 1957.

Teachers Mutual Fund of California, Inc.
Nov. 8 filed 700,000 shares of capital stock (par $1) to be offered only to members and employees of the California Teachers Association (Southern section) and their families. **Price**—Initially at $7.14 per share. **Proceeds**—For investment. **Office**—Los Angeles, Calif. **Underwriter**—None.

Texas Calgary Co., Abilene, Texas
Sept. 25 filed 3,700,000 shares of capital stock (par 25 cents). **Price**—At market from time to time on the American Stock Exchange or the Toronto Stock Exchange or by private sale. **Proceeds**—To A. P. Scott, the selling stockholder. **Underwriter**—None.

Texas Eastern Transmission Corp. (12/12)
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.

★ **Texas Fuel Corp., Clarksville, Texas**
Nov. 29 (letter of notification) 120,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—To pay bank loans, financing of time payment sales of appliances and air conditioners and for working capital. **Underwriter**—Franklin Securities Co., Dallas, Texas.

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 Corporation 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 stockholders becomes effective if latter company acquires at least 85% of the Abstract stock. The purchase offer will expire on Jan. 10, 1957, unless extended to Feb. 28, 1957. **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.

★ **Tri-State Rock Material Corp., Leesburg, Va.**
Nov. 28 filed 500,000 shares of 6% cumulative convertible preferred stock. **Price**—At par ($1.50 per share). **Proceeds** — For asphalt plant, equipment, working capital and other corporate purposes. **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.**
Nov. 14 filed $6,000,000 convertible subordinated debentures due Dec. 1, 1971. **Price**—To be supplied by amendment. **Proceeds** — For expansion and working capital. **Underwriter** — Lehman Brothers, New York. **Offering**—Expected today (Dec. 6).

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 Natural Gas Co.**
Nov. 29 (letter of notification) 10,000 shares of 5% convertible preferred stock to be offered to employees and officers who are not directors. **Price**—At par ($30 per share). **Office** — 1006 Main St., Houston, Texas. **Underwriter**—None.

Western States Natural Gas Co.
Aug. 24 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For development of oil and gas. **Office**—Felt Bldg., Salt Lake City, Utah. **Underwriter**—Us-Can Securities, Inc., Jersey City, N. J.

Wheland Co., Chattanooga, Tenn.
May 23 filed $2,000,000 of convertible subordinated debentures due June 1, 1976, and 136,000 shares of common the company's account and 61,000 shares for a selling stockholder. **Price** — To be supplied by amendment. **Proceeds**—Together with proceeds from private sale of $1,500,000 4¾% first mortgage bonds and $900,000 of 3-year unsecured 4½% notes to a group of banks, will be used to retire outstanding series A and series B 5% first mortgage bonds, and for expansion program. **Underwriters**—Hemphill, Noyes & Co., New York; Courts & Co., Atlanta, Ga.; and Equitable Securities Corp., Nashville, Tenn. **Offering** — Temporarily postponed.

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.

★ **William Penn Finance Corp.**
Nov. 30 (letter of notification) $250,000 of 6% subordinated renewable debentures due Dec. 20, 1963. **Price**—At face amount. **Proceeds**—To repay outstanding indebtedness to Factors Corp. of America and other indebtedness. **Office**—2829 N. Broad St., Philadelphia, Pa. **Underwriter**—None.

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.

★ **Wood (Alan) Steel Co., Conshohocken, Pa.**
Nov. 26 (letter of notification) an undetermined number of shares of common stock (par $10) to be offered to the employees under the Supervisory Employees' Stock Purchase Plan for 1957. **Price**—Not to exceed a total aggregate of $300,000. **Proceeds**—For working capital. **Underwriter**—None.

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, Web-

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ber, 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.

★ Bayless (A. J.) Markets, Inc., Phoenix, Ariz.
Nov. 27 it was reported company plans to issue and sell 750,000 shares of common stock. **Underwriter** — H. M. Byllesby & Co., Inc., Chicago, Ill. **Registration**—Planned in January. **Offering**—Expected in mid-February.

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.

● Cincinnati, New Orleans, Texas & Pacific Ry. (1/22)
Bids are expected to be received by the company on Jan. 22 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.

★ Connecticut Light & Power Co.
Nov. 27 it was announced company will probably offer to its stockholders early in 1957 some additional common stock, to finance part of its construction program. **Underwriter**—None.

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.).

★ Continental Copper & Steel Industries, Inc.
Nov. 28 it was announced company plans to offer to its common stockholders the right to subscribe for some additional common stock on a 1-for-10 basis. **Proceeds**—For construction program. **Underwritre**—Allen & Co., New York.

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.

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.

★ Household Finance Corp.
Dec. 3 it was reported company may register this month an issue of $30,000,000 long-term debentures. **Underwriters** — Lee Higginson Corp. and White, Weld & Co., both of New York; and William Blair & Co., Chicago, Ill. **Offering**—Probably early in January.

★ Idaho Power Co. (1/7)
Dec. 3 it was reported company plans to issue and sell $20,000,000 first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsev, Stuart & Co. Inc.; Equitable Securities Corp.; Blyth & Co., Inc., Lazard Freres & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co.; Salomon Bros. & Hutzler; Lehman Brothers, A. C. Allyn & Co. and Wood, Struthers & Co. (jointly); Kuhn, Loeb & Co. **Bids**—Tentatively expected to be received on Jan. 7, 1957. **Registration**—Planned for Dec. 7, 1956.

★ Indianapolis Power & Light Co.
Nov. 21, H. T. Prichard, President, announced that present plans contemplate an issue of $6,000,000 of preferred stock some time in 1957 if market conditions make it feasible, and an issue of $8,000,000 in bonds in 1958. Temporary bank loans are available and probably will be utilized, during at least part of 1957. Additional securities will need to be sold in 1959 and 1960, amounting to approximately $14,000,000. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—May be Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp., who underwrote last equity financing.

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).

★ Kaiser Industries, Inc.
Nov. 28, E. E. Trefethen, Jr., Executive Vice-President, stated that it is anticipated that a portion of the funds necessary to meet the $25,000,000 installment due April 1, 1957 on its 4¾% term loan may have to be provided by the creation of debt by, or the sale of equity securities, of this corporation or Henry J. Kaiser Co., or through the public or private sale of a portion of the securities of the companies owned by the Henry J. Kaiser Co., or of certain other assets. **Underwriter**—The First Boston Corp., New York.

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.

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.

★ Missouri Pacific RR. (1/10)
Bids are expected to be received by the company on Jan. 10 for the purchase from it of $4,875,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

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, Indiana & Illinois RR. (1/10)
Bids are expected to be received by this company on Jan. 10 for the purchase from it of $1,400,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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, Chicago & St. Louis RR.
Bids are expected to be received by the company in January or February for the purchase from it of approximately $6,400,000 equipment trust certificates. 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.
Dec. 4, the directors authorized the issuance and sale to common stockholders of $46,224,200 convertible debentures due Feb. 1, 1972 on the basis of $100 of debentures for each 25 shares of stock held. **Price**—At 100% of principal amount. **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. (1/16)
Bids are expected to be received by the company on or about Jan. 16 for the purchase from it of approximately $4,650,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern Natural Gas Co.
July 19 it was reported company plans to finance its 1956 construction program (costing about $40,000,000) through issuance of debentures and treasury funds in latter part of year. **Underwriter**—Probably Blyth & Co., Inc.

• Northern Pacific Ry. (12/19)
Bids are expected to be received by this company on Dec. 19, 1956, for the purchase from it of about $7,710,000 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.

★ Oklahoma Gas & Electric Co. (1/29)
Nov. 27, it was reported company plans to issue and sell $20,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Blyth & Co., Inc. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co. **Bids** — Tentatively expected to be received on Jan. 29.

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.; Eastman Dillon, Union Securities & Co. **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.

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.

★ Scovill Manufacturing Co.
Nov. 29, it was announced directors have approved plans to raise $15,000,000 in January through the sale of some additional common stock (probably about 176,000 shares) to stockholders on a basis of not more than one new share for each eight shares held (there are 1,411,578 shares of common stock outstanding), and a debenture offering of about $9,000,000. **Proceeds** — For expansion and modernization program. **Underwriter** — Morgan Stanley & Co., New York.

★ Sears Roebuck Acceptance Corp.
Dec. 1, Theodore V. Houser, Chairman, announced that this company, a subsidiary of Sears, Roebuck & Co., plans early registration of $50,000,000 of long-term debentures. **Proceeds** — To purchase customer instalment receivable from parent. **Underwriters**—Goldman, Sachs & Co.; Halsey, Stuart & Co. Inc.; and Lehman Brothers; all of New York and Chicago. **Offering**—Scheduled for January, 1957.

• 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; rights will expire on Dec. 14. **Price**—$30 per share. **Proceeds**—To increase capital and surplus.

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. (1/22)
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). **Bids**—Tentatively expected to be received on Jan. 22.

★ Southern Pacific Co. (1/3)
Bids are expected to be received by the company on Jan. 3 for the purchase from it of about $9,600,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

• Southern Ry. (1/8)
Bids are expected to be received by the company on Jan. 8 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.

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.

★ Valley National Bank, Phoenix, Ariz. (1/15)
Nov. 27 it was announced stockholders will vote Jan. 15, 1957 on approving a proposal of the bank to offer to its common stockholders of record Jan. 15, 1957 the right to subscribe for 105,000 additional shares of common stock (par $5) on the basis of one new share for each 12 shares held. **Price**—To be named later. **Proceeds**—To increase capital and surplus. **Underwriters**—A syndicate of local and national investment houses whose identity will be made public at a future date. William R. Staats & Co. and Blyth & Co., Inc. underwrote rights offering in July, 1954.

• Wabash RR. (1/9)
Bids are expected to be received by the company on Jan. 9 for the purchase from it of approximately $2,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Washington Gas Light Co.
June 7 it was announced company proposes to finance proposed new construction of pipeline in Virginia to cost about $3,380,000 from funds generated by operations, sale of common stock and temporary bank borrowings. Underwriter — The First Boston Corp., New York; and Johnston, Lemon & Co., Washington, D. C.

Western Pennsylvania National Bank
Nov. 13 it was reported Bank plans to offer to its stockholders 132,812 additional shares of capital stock on a 1-for-3 basis. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Office**—McKeesport, Pa.

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. 9	‡100.5	*101.1	100.1	100.1
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 9	‡2,473,000	*2,489,000	2,463,000	2,416,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 23	7,195,350	*7,164,750	6,998,200	6,858,800
Crude runs to stills—daily average (bbls.)	Nov. 23	¶8,111,000	7,965,000	7,670,000	7,741,000
Gasoline output (bbls.)	Nov. 23	26,816,000	26,483,000	25,931,000	26,201,000
Kerosene output (bbls.)	Nov. 23	2,855,000	2,619,000	2,680,000	2,396,000
Distillate fuel oil output (bbls.)	Nov. 23	12,761,000	12,163,000	12,389,000	11,844,000
Residual fuel oil output (bbls.)	Nov. 23	8,458,000	7,891,000	7,742,000	8,600,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 23	174,544,000	172,739,000	171,985,000	155,866,000
Kerosene (bbls.) at	Nov. 23	36,305,000	35,978,000	34,518,000	34,315,000
Distillate fuel oil (bbls.) at	Nov. 23	158,871,000	160,460,000	157,268,000	145,374,000
Residual fuel oil (bbls.) at	Nov. 23	45,745,000	46,768,000	47,493,000	45,045,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 24	650,920	763,876	816,803	671,950
Revenue freight received from connections (no. of cars)	Nov. 24	622,326	651,865	667,997	639,665
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 29	$377,118,000	$357,600,000	$350,139,000	$278,795,000
Private construction	Nov. 29	189,585,000	249,851,000	165,918,000	173,248,000
Public construction	Nov. 29	187,533,000	107,749,000	184,221,000	105,547,000
State and municipal	Nov. 29	171,104,000	90,228,000	166,045,000	91,080,000
Federal	Nov. 29	16,429,000	17,521,000	18,176,000	14,467,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 24	9,140,000	10,420,000	10,440,000	9,063,000
Pennsylvania anthracite (tons)	Nov. 24	447,000	640,000	642,000	482,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 24	148	*151	128	146
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 1	12,075,000	11,439,000	11,487,000	11,359,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 29	254	207	271	209
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 27	5.622c	5.622c	5.622c	5.174c
Pig iron (per gross ton)	Nov. 27	$63.04	$63.04	$63.04	$59.09
Scrap steel (per gross ton)	Nov. 27	$64.33	$61.33	$57.50	$47.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 28	35.700c	35.700c	36.000c	43.225c
Export refinery at	Nov. 28	34.325c	33.925c	33.100c	44.100c
Lead (New York) at	Nov. 28	16.000c	16.000c	16.000c	15.500c
Lead (St. Louis) at	Nov. 28	15.800c	15.800c	15.800c	15.300c
Zinc (East St. Louis) at	Nov. 28	13.500c	13.500c	13.500c	13.000c
‡Zinc (delivered) at	Nov. 28	14.000c	14.000c	14.000c	13.500c
Aluminum (primary pig, 99%) at	Nov. 28	25.000c	25.000c	25.000c	Not Avail.
Straits tin (New York) at	Nov. 28	110.000c	110.750c	106.250c	99.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 4	89.78	89.35	90.42	95.09
Average corporate	Dec. 4	96.69	97.00	98.25	107.44
Aaa	Dec. 4	100.49	100.32	101.64	110.70
Aa	Dec. 4	98.88	99.20	100.32	109.42
A	Dec. 4	96.69	97.16	98.25	107.44
Baa	Dec. 4	91.34	91.62	93.08	102.63
Railroad Group	Dec. 4	95.16	95.16	96.63	105.86
Public Utilities Group	Dec. 4	97.47	98.09	98.41	107.62
Industrials Group	Dec. 4	97.62	97.78	99.68	108.88
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 4	3.34	3.37	3.29	2.87
Average corporate	Dec. 4	3.96	3.94	3.86	3.31
Aaa	Dec. 4	3.72	3.73	3.65	3.13
Aa	Dec. 4	3.82	3.80	3.73	3.20
A	Dec. 4	3.96	3.93	3.86	3.31
Baa	Dec. 4	4.32	4.30	4.20	3.59
Railroad Group	Dec. 4	4.06	4.06	3.96	3.40
Public Utilities Group	Dec. 4	3.91	3.87	3.85	3.30
Industrials Group	Dec. 4	3.90	3.89	3.77	3.23
MOODY'S COMMODITY INDEX	Dec. 4	437.5	437.3	421.3	402.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 24	202,463	231,330	249,275	227,809
Production (tons)	Nov. 24	260,253	278,966	278,432	279,120
Percentage of activity	Nov. 24	89	94	97	95
Unfilled orders (tons) at end of period	Nov. 24	373,510	428,989	401,797	542,357
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Nov. 30	109.62	109.60	109.49	107.17
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. 10	1,490,392	1,333,750	973,024	1,022,356
Dollar value	Nov. 10	$77,141,062	$70,848,894	$59,589,680	$58,694,698
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 10	912,896	904,997	690,029	807,386
Customers' short sales	Nov. 10	7,683	5,575	6,038	4,830
Customers' other sales	Nov. 10	905,213	899,422	683,991	802,556
Dollar value	Nov. 10	$44,633,922	$45,119,535	$34,093,982	$42,246,724
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 10	173,390	216,350	157,590	199,230
Short sales	Nov. 10	------	------	------	------
Other sales	Nov. 10	173,390	216,350	157,590	199,230
Round-lot purchases by dealers—					
Number of shares	Nov. 10	756,430	640,970	479,170	419,490
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. 10	603,170	531,320	373,320	443,030
Other sales	Nov. 10	8,916,480	10,505,330	7,453,500	9,774,320
Total sales	Nov. 10	9,519,650	11,036,650	7,826,820	10,217,350
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 10	1,334,200	1,601,160	1,043,320	1,117,710
Short sales	Nov. 10	395,130	297,610	186,980	206,980
Other sales	Nov. 10	1,131,390	1,414,970	825,600	931,090
Total sales	Nov. 10	1,526,520	1,712,580	1,012,580	1,138,070
Other transactions initiated on the floor—					
Total purchases	Nov. 10	256,260	353,150	220,420	237,600
Short sales	Nov. 10	49,400	45,500	15,700	29,300
Other sales	Nov. 10	260,500	399,360	248,940	267,210
Total sales	Nov. 10	309,900	444,860	264,640	296,510
Other transactions initiated off the floor—					
Total purchases	Nov. 10	396,485	458,885	364,152	504,040
Short sales	Nov. 10	84,620	87,480	83,770	88,800
Other sales	Nov. 10	544,221	570,979	453,442	490,463
Total sales	Nov. 10	628,841	658,459	537,212	579,263
Total round-lot transactions for account of members—					
Total purchases	Nov. 10	1,986,945	2,413,195	1,627,892	1,859,350
Short sales	Nov. 10	529,150	430,590	286,450	325,080
Other sales	Nov. 10	1,936,111	2,385,309	1,527,982	1,688,763
Total sales	Nov. 10	2,465,261	2,815,899	1,814,432	2,013,843
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Nov. 27	115.9	115.7	115.0	111.1
Farm products	Nov. 27	88.5	87.6	88.2	83.9
Processed foods	Nov. 27	103.2	103.1	103.1	98.2
Meats	Nov. 27	79.7	79.2	82.2	72.9
All commodities other than farm and foods	Nov. 27	124.2	124.0	123.0	119.2

*Revised figure. ¶Includes 929,000 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. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For month of September:			
Total gas (M therms)	4,547,800	4,460,871	4,355,800
Natural gas sales (M therms)	4,421,600	4,339,257	4,171,900
Manufactured gas sales (M therms)	19,100	17,080	24,900
Mixed gas sales (M therms)	107,100	104,534	159,000
AMERICAN ZINC INSTITUTE, INC.—Month of October:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	93,493	90,235	89,443
Shipments (tons of 2,000 pounds)	106,848	92,377	87,748
Stocks at end of period (tons)	88,810	102,165	43,868
Unfilled orders at end of period (tons)	53,425	64,450	61,746
ASSOCIATION OF AMERICAN RAILROADS—Month of October:			
Locomotive units installed in service	96	93	108
New locomotive units on order (end of month)	728	737	876
BANK DEBTS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of September (in thousands)	$167,154,000	$183,819,000	$168,967,000
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of October:			
Manufacturing number	198	140	180
Wholesale number	112	85	85
Retail number	584	489	437
Construction number	182	146	136
Commercial service number	82	72	81
Total number	1,158	932	919
Manufacturers' liabilities	$17,345,000	$9,539,000	$10,407,000
Wholesale liabilities	5,517,000	4,220,000	2,416,000
Retail liabilities	12,368,000	15,656,000	9,586,000
Construction liabilities	11,145,000	7,840,000	8,713,000
Commercial service liabilities	3,629,000	2,058,000	3,655,000
Total liabilities	$50,004,000	$39,313,000	$34,777,000
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of September (millions of dollars):			
Manufacturing	$50,100	*$49,500	$44,700
Wholesale	12,900	*12,800	12,000
Retail	23,400	*23,700	23,200
Total	$86,400	*$86,100	$80,000
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of November (000's omitted):			
Total U. S. construction	$1,735,723	$1,878,341	$1,363,127
Private construction	976,252	1,141,589	964,787
Public construction	759,471	736,752	404,340
State and municipal	641,801	607,499	294,380
Federal	117,670	129,253	109,960
COPPER INSTITUTE—For month of October:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	107,501	*96,026	109,793
Refined (tons of 2,000 pounds)	136,379	112,484	127,765
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	113,353	104,486	133,834
Refined copper stocks at end of period (tons of 2,000 pounds)	106,120	93,202	49,738
COTTON GINNING (DEPT. OF COMMERCE)—As of Nov. 14 (running bales)	11,112,983	------	11,421,406
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average=100—Month of October:			
Sales (average monthly), unadjusted	127	115	118
Sales (average daily), unadjusted	120	122	116
Sales (average daily), seasonally adjusted	112	120	109
Stocks, unadjusted	144	130	*131
Stocks, seasonally adjusted	129	123	117
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of October:			
Gas-fired furnace shipments (units)	78,900	87,200	94,400
Gas conversion burner shipments (units)	26,200	32,300	43,000
Gas-fired boiler shipments (units)	13,200	13,200	13,600
Domestic gas range shipments (units)	195,900	*191,000	210,300
Gas water heater shipments (units)	242,500	225,000	231,200
METAL OUTPUT (BUREAU OF MINES)—Month of September:			
Mine production of recoverable metals in the United States:			
Gold (in fine ounces)	178,070	*182,457	192,134
Silver (in fine ounces)	3,113,078	*3,295,701	2,982,802
Copper (in short tons)	86,195	*92,078	90,424
Lead (in short tons)	27,318	*30,613	26,876
NEW YORK STOCK EXCHANGE—As of Oct. 31 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$2,784,232	*$2,815,501	$2,783,843
Credit extended to customers	36,014	33,478	39,775
Cash on hand and in banks in U. S.	332,779	*327,842	357,459
Total of customers' free credit balances	834,044	*866,356	920,294
Market value of listed shares	211,627,311	210,014,923	192,781,695
Member value of listed bonds	100,290,666	100,537,883	106,109,809
Member borrowings on U. S. Govt. issues	54,059	84,481	126,519
Member borrowings on other collateral	2,245,293	2,228,618	2,326,237
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of Sept. (000's omitted):			
Savings and loan associations	$779,455	$920,744	$945,838
Insurance companies	139,445	163,466	155,324
Bank and trust companies	440,618	507,563	504,768
Mutual savings banks	162,571	181,326	168,473
Individuals	275,209	319,126	291,549
Miscellaneous lending institutions	387,503	452,092	455,621
Total	$2,184,801	$2,544,317	$2,521,593
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of August:			
Net railway operating income	$103,590,532	$61,432,984	$109,611,044
Other income	22,287,717	20,222,629	20,134,749
Total income	125,878,249	81,655,613	129,745,793
Miscellaneous deductions from income	4,239,805	3,591,599	4,308,095
Income available for fixed charges	121,638,444	78,064,014	125,437,698
Income after fixed charges	90,948,940	47,601,173	94,720,957
Other deductions	4,242,500	4,259,936	4,139,163
Net income	86,706,440	43,341,237	90,581,794
Depreciation (way & structure & equipment)	46,877,304	45,011,359	44,603,715
Federal income taxes	40,928,945	13,021,155	48,527,319
Dividend appropriations:			
On common stock	27,513,948	14,945,503	29,344,107
On preferred stock	4,298,168	854,125	4,537,038
Ratio of income to fixed charges	3.96	2.56	4.08

Hooker & Fay Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Christopher J. Mitchell is now with Hooker & Fay, 221 Montgomery Street, members of the New York and San Francisco Stock Exchanges. He was formerly with Francis I. du Pont & Co.

With Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John G. Brundin is now with Sutro & Co., 460 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Mutual Funds

By ROBERT R. RICH

Fund Holders Slated to Vote On Merger

Shareholders of Income Foundation Fund and Federated Fund received notice of special shareholders meeting to vote on a merger of the two funds.

Under the proposed plan, Federated Management Corporation, present investment manager of Federated Fund, becomes investment adviser to Income Foundation Fund whose combined assets will be about $4 million. Substantial growth of Income Foundation Fund is assured as that fund is substituted in the more than $20 million of Federated Plans owned by investors who make regular periodic investments under those programs. Shareholders of Federated Fund receive approximately four shares of Income Foundation Fund for each share of Federated Fund.

Plans for the accumulation of Income Foundation Fund will be offered by Federated Plans, Inc., mutual fund sales organization, which becomes the principal underwriter of the Fund.

James H. Lennon, President of Federated Fund becomes president of Income Foundation Fund according to the proxy statement, as David W. Barton now President of Income Foundation Fund becomes chairman of the board of trustees. Barton continues as a member of the executive committee. Other Federated trustees become trustees of Income Foundation Fund.

Income Foundation Fund was founded in 1934 and was the first mutual fund registered under the Investment Company Act of 1940. The 1956 Johnson Charts rated the fund a leader in performance among the balanced funds. The fund has more than one million dollars of unrealized capital gains.

Lionel D. Edie & Company, Inc. which has advised the fund in the past becomes economic consultant to Federated Management Corporation. The investment policy will be unchanged according to Income Foundation Fund proxy statement.

Leo MacLaughlin Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Benjamin E. Smith has become affiliated with Leo G. MacLaughlin Securities Company, 54 South Los Robles Avenue.

With Peters, Writer

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Dean U. Bakke is now with Peters, Writer & Christensen, Inc., 724 17th St.

Continued from page 5

Observations . . .

wise, a substantial capital gains tax is being acquired. In our above-mentioned assumed case, to the noninvestment transaction cost may be added a further offset in the form of the subsequently accruing tax on the new stock's appreciation. Only death, with its removal of the capital gains levy, can save him therefrom.

Such reacquisition of a costly potential tax liability is highlighted in the case of the effective maintenance of a long position in a single security after a capital loss is registered (either after a 30-day waiting period or through the device of simultaneous short and long transactions).

Thus we see that a market loss must be sizable before it is advantageous tax-wise to switch.

The "Tax-Free" Dividend Only a Half-Truth

The so-called "tax-free" dividend is another frequent instance of pleasant delusion. It is true in many instances that dividends disbursed by some loss-carrying companies are exempt from current income taxation. But the dividend must be subtracted from the shareholder's cost basis, correspondingly penalizing him capital gains or loss-wise at the eventual time of sale—again making death the possible rescuer.

A further potentially abortive effect on year-end tax-saving devices has just arisen through announcement by Congressional tax leaders that proposals for closing "loop-holes" about to come before the subcommittee on internal revenue taxation of the House Ways and Means Committee, may be made retroactive to Nov. 8 if adopted.

Practical Aspects of Gifts and Inheritance

Another area where the cold figures must be weighed is that of inheritance versus pre-death gifts. Too often, because of sublimation of the question of giving because of psychological foibles involving a parent's emotional insecurity in the surrendering of money "power," a substantial amount of tax dollars-and-cents is sacrificed.

Under the statutes, the tax on gifts is generally 25% less than on the equivalent amounts subject to estate taxation; creating, in effect, a 25% discount on gifts. Additionally, the pre-death transfer via the gift yields a saving in current income taxation by usual transfer of the donor's applicable tax levy to a lower bracket.

Nat'l Securities' Assets Gain to $284 Million

The National Securities Series of mutual funds, sponsored and managed by the National Securities & Research Corporation, had total net assets of $284,454,242 on Oct. 31, 1956, the first half of the current fiscal year, compared with $283,786,512 six months earlier and $249,042,081 on Oct. 31, 1955, Henry J. Simonson Jr., President of National Securities & Research Corp., reported in the semi-annual statement to stockholders.

Holders of shares of the National Securities Series increased to 114,856 at the close of October, and compared with the April 30, 1956 figure of 107,182 and the Oct. 31, 1955 total of 98,942. At the same time, the number of shares outstanding climbed to 41,684,178 on Oct. 31, last, from 39,633,792 shares on April 30, and compared with 36,357,963 shares at the end of October last year.

"The past six months' period has witnessed a general decline in the prices of bonds and preferred stocks caused primarily by the change in money rates; likewise there has been a general decline in common stock prices," Mr. Simonson reported. In fact, he added, "on Oct. 31, 1956, the indices of common stock prices reached one of its low points for this six month period due largely to the crises in the Middle East and the turmoil in Hungary."

Commonwealth Stock Fund total assets during the year ended Oct. 31 increased from $1,265,124 to $2,594,015. "This growth," according to President S. Waldo Coleman, in the fund's recently issued annual report, "resulted from new capital invested in the fund by both new and old shareholders, as well as from increased market value of the fund's investments."

Added to the fund's portfolio during the year were: Bendix Aviation, North American Aviation, Texas Instruments, Florida Power, Food Fair, Ford, General Foods, Gerber Products, Kimberly Clark, Winn-Dixie Stores, Kaiser Aluminum, Newmont Mining, Seaboard Oil and Union Oil & Gas of Louisiana. Holdings in Continental Assurance, Imperial Oil, International Harvester, Niagara Mohawk and United Gas were eliminated.

The fund's principal industry holdings as of Oct. 31 were: Oil, 19.0%; Chemical & Drug, 10.1%; Metal, 7.4%; Electronics, 6.4% and Electric Power, 6.3%.

Keystone's Growth Common Stock Fund S-3 showed a 20.7% increase in per share asset value, after adjustment for profit distribution of 80 cents per share, for the fiscal year ended Oct. 31. Over the same period the Dow-Jones Industrial Average had a gain of just less than 7%.

Holdings in natural resource companies and those engaged in development of new products and processes contributed substantially to the performance of Keystone S-3. The portfolio includes 47 issues representing 15 industries, with 38.6% of the holdings in steel, oil, metals and coal.

Over the year, the number of shareholders in S-3 increased 34% to a record high of 6,735, and the total net asset value of $17,909,814 was the highest year-end figure in the history of this member of Keystone's 10-fund organization, aggregating more than $300,000,000.

With Wulff Hansen

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Reginald W. Hughes is now affiliated with Wulff, Hansen & Co., Russ Building. He was formerly with Mitchum, Jones & Templeton.

TV-Electronics Assets Go Up To $132 Million

Total net assets of Television-Electronics Fund, Inc. of Chicago amounted to $132,618,446 at the end of the fiscal year on Oct. 31, an increase of 25.3% from the $116,730,597 total reported a year earlier, the fund's annual report showed today. The net asset value per share rose to $11.97 from $11.06 on Oct. 31, 1955.

Chester D. Tripp, President, informed shareowners that at the close of the latest fiscal year 87.4% of the fund's assets "were in a well-diversified list of common stocks of companies actively engaged in research, development and production of goods and services within the broad field of electronics and in the corollary field of nucleonics." He added that the principal portfolio changes during the year "in part reveal the increasing emphasis being placed in the aircraft manufacturing, computer, instrumentation and controls segments of the electronic field."

"Some changes," Mr. Tripp explained, "were dictated by short-term considerations, in the light of temporarily adverse currents running through the economy, but the long-range viewpoint is still the broad gauge guiding the investment policy of your fund."

"On this score, there are more reasons than ever for believing that the phenomenal growth of electronics will continue into the foreseeable future."

In another section entitled "Electronics Today and Tomorrow," the report said: "Today, while just evolving from its embryonic stage, electronics is an $11 billion giant. It is the fifth largest segment of the economy in the United States. Today, it is nine times its size at the end of World War II, but only half its expected dimension 10 years from now."

Puritan Fund assets reached new highs in the quarter ended Oct. 31, 1956. On this date, net assets of the fund totaled $28,508,553 compared with $25,379,277 as of April 30, 1956, an increase of 12.4%. A year ago on Oct. 31, 1955, net asset value was $18,424,131. The number of shares outstanding totaled 4,405,807 as of Oct. 31, 1956, an increase of 18.8% over the April 30, 1956 total of 3,704,284. As of Oct. 31, 1955, there were 2,843,110 shares outstanding.

Net asset value per share was $6.47 on Oct. 31, 1956 compared with $6.76 at the end of the fiscal year July 31, 1956. The Oct. 31, 1956 net asset value per share is after a distribution from realized capital gains of eight cents a share made on Sept. 4, 1956.

Continued on page 54

Continued from page 53

Mutual Funds

Investors Stock Assets Reach $204 Million

Total net assets of Investors Stock Fund, Inc., mutual investment fund affiliate of Investors Diversified Services, Inc., rose to $204,592,575 from $133,357,772, an increase of $71,234,803 or approximately 53%, during the fiscal year ended Oct. 31, 1956, Joseph M. Fitzsimmons, chairman of the Board, announced in the eleventh annual report of the fund. Figures in the report were adjusted wherever applicable to reflect the two-for-one spilt of the shares which became effective on April 26, 1956, Mr. Fitzsimmons pointed out.

The year was one of unprecedented growth for the fund. The addition of 25,000 new shareholders raised the total number from 37,000 last year to 62,000 when the fiscal year under report closed. The number of shares outstanding was 15,485,821 this year compared with 10,973,435 a year ago, a gain of nearly 4½ million shares.

Dividends paid from investment income amounted to 39¼ cents per share for the year compared with 37 cents per share for the preceding year. A distribution of 28¾ cents per share derived from realized securities profits was made at the fiscal year end. More than 88% of the fund's shareholders were reinvesting their dividends and distributions to purchase new shares at net asset value.

Net asset value of shares of the fund was $13.23 on Oct. 31, 1956, a greater value than at the close of any previous fiscal year. At the fiscal year end, the fund held its larger investments in petroleum, power and light, chemical, electric and electronics industries. Investments taken at market value on that date were distributed as follows: common stocks 93.83%; convertible bonds and preferred stocks 5.20%; United States Treasury bills 0.97%. Total market value of all investments held at the close of the 1956 fiscal year exceeded cost by $44,126,563.

Smith, Moore Partner

ST. LOUIS, Mo. — On Dec. 31 Norman W. Halls will become a limited partner in Smith, Moore & Co., 509 Olive Street, members of the New York and Midwest Stock Exchanges.

Railroad Securities

By GERALD D. McKEEVER

New York, New Haven & Hartford

Concern over the New Haven situation has increased as we approach the end of the year, and as it becomes apparent that this road will have no net income for the first year in a decade. The full year's result has been burdened by deficit operations in the first three months which were penalized by, among other things, a bulge in maintenance charges by the new management in order to make partial amends for the practices of the previous administration which was replaced in January of this year. The New Haven has operated "in the black" since March and while October net income, reflecting a seasonal gain, amounted to $424,107, this and net results for the final two months will not be sufficient to compensate for the losses and the lower rate of earnings of the earlier months of the year. The net deficit for the first ten months of year, although showing a substantial reduction, still amounted to $761,381.

As a result the New Haven will show a net deficit of something over $500,000 for 1956, according to current estimates. Under the ICC standard accounting formula this means a deficit of about $1 per share on the road's $5 preferred and a $2.75 per share deficit on the common. Under the terms of the bond indentures of the 1947 reorganization, on the other hand, this means that available earnings after providing for capital fund and sinking funds reflect a $3.25 per share deficit for the preferred and a $3.65 per share deficit for the common.

By either accounting method, it is thus indicated that the 4½% interest will not be earned on the road's $67.5 million income 4½s. On the basis of available earnings as provided by reorganization terms, it is currently estimated that only about $1.5 million to $1.6 million will be applicable to the interest on this issue for payment next May 1. This would be something less than 2½%, but it is provided that interest on this issue may be paid at the discretion of the road's board of directors even if not earned.

However, the depleted current finances of the New Haven emphasize the word "discretion." As of last Sept. 30 the road had current assets of $33,609,000, but current liabilities of $33,928,000 with the result of a $319,000 deficit in working capital. The restricted current finances of the New Haven are due mostly to the heritage of the burden of flood losses sustained in August and in October of last year in spite of the funding of $16 million of these costs into long-term debt. The final move in this direction was the supplementary flood disaster loan of last September which, with the extension of other collateral loans, was the principal factor in the reduction of the $11,544,000 deficit to working capital as of Aug. 31 to the aforementioned $319,000 deficit a month later. A further element contributing to the working capital deficit may have been the $4.4 million adjustment of accounts in December of last year which restored certain reserves to proper level and made effective at once certain charges that had been held in suspense under the road's previous administration.

Under these circumstances it seems to be a virtual certainty that the New Haven will have to restrict itself to a most conservative financial policy for some time to come even though some improvement in the level of earnings may be achieved. On the latter score, the "built in" problems of the New Haven are a challenge to the most capable and diligent management. One of these problems centers around the large proportion represented by passenger business which, including commutation, resulted in a deficit of over $14 million in 1955 under the ICC formula for cost allocation, although the out-of-pocket loss was considerably less. Secondly, and as a corollary of the large proportion of passenger business, is the relatively small proportion represented by freight business which is ordinarily profitable. The approximate 60% that is represented by freight revenues is a small base on which to apply a freight rate increase such as the 6% of last March 7, and the road's earnings have suffered accordingly. By the same token, the New Haven will get less than normal relief from pending freight rate increases, including the 7% emergency increase for which the roads have applied to offset the current round of wage increases. On the other hand, the New Haven has succeeded in obtaining a 22½% increase in commuter fares in New York, Massachusetts and Connecticut as well as interstate.

A third factor is the handicap of the New Haven in receiving 74% of its tonnage from connecting carriers which means that it has to shoulder a disproportionate amount of terminal expense including the per diem charge on freight cars during the free time while they are being unloaded. This burden will be increased if the per diem charge is raised from the present $2.40 to $2.75 as proposed recently by the AAR directorate. Another "built in" problem is the heavy per mile capitalization of the New Haven which is the highest of any major road—more than 30% higher than that of the Pennsylvania which has 5% more revenue per mile, for instance. Finally, there is the laggard trend of traffic and revenues of the New Haven which presents a formidable operating problem in this era when almost everything else is on the rise. The relative trend of New Haven revenues and their lag even behind the New England District in some years is shown by the following table of indices based on the 1947-49 average as 100:

	New Haven	New Eng. District	Class I Total
	——Revenues——		
*1956	102	102	117
1955	99	100	113
1954	95	106	104
1953	105	104	119
1952	104	105	118
1951	101	102	116
1950	96	97	106

*Estimated.

The management of the New Haven is studying to make the best of its situation by improving efficiency. Steam was entirely abandoned in 1952 and all train movement is now either diesel powered or electric, while present studies are understood to look toward total dieselization in time. Last August the road ordered 80 additional diesels for $14 million to supplement the 399 diesel units owned at the 1955 year-end. Plans also call for complete CTC coverage to supplant fourteen obsolete interlocking segments and four remote controls. There is room for greater efficiency of train movement. Gross ton-miles per freight train hour of 40,790 in 1955 showed only the little better than average gain of 33% over the 1946 figure of 30,553. But improvements cost money, and the road has been impoverished by the 1955 disasters which also added $16 million to its long-term debt burden.

The senior bonds of the New Haven appear to be on the safe side since fixed charges should be covered 1.25 times or more this year, which is hoped to have been the road's worst. The income 4½s could be disappointing to holders on the other hand if they are counting on full 4½% interest payment next May 1 as suggested by the previous discussion of this issue, but some comfort may be found in the fact that unpaid interest is cumulative to the extent of 4½% or three years' full interest. In the case of the preferred stock, however, it is almost a euphemism to call it speculative at the present time. At this point the resumption of dividend payments can only be said to be a remote prospect, for even if earning power can be sufficiently resuscitated, the road will have to rebuild its finances. What may appear to lend speculative flavor to the preferred is the repurchase agreement contracted by the previous administration which bound the road to buy back from certain banking interests 131,385 shares of the preferred at $70 per share in the latter part of 1957 and to pay a $5 per share dividend in 1956. The dividend agreement, of course, became impossible and was abrogated, and the repurchase date was extended for two years, or until the latter part of 1959.

Holders of the preferred outside of the banking interests with which the deal was made can not benefit by the $70 per share commitment and, on the other hand, can be hurt if the road ever has to put up the $9.2 million that the commitment calls for. It remains to be seen what is done about this deal and what the attitude of the ICC is going to be.

We are not going to lengthen this article by a discussion of New Haven common. Its position must have been made abundantly clear by this time by implication.

New Walston Office

Walston & Co. Inc., members of the New York Stock Exchange, have announced the opening of a new office at 163 West 29th Street. The branch is the seventh operated by the investment firm in New York City.

Walter E. McNerney is the resident manager of the new office; Myron H. Handler, associate manager, and Ben Lewis, the registered representative.

Glendinning Partner

PHILADELPHIA, Pa. — Robert Glendinning & Co., 123 South Broad Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, on Jan. 1 will admit Charles Wesley Welsh, 2nd to partnership.

Partner in Hallowell Co.

PHILADELPHIA, Pa. — Blaine W. Scott, Jr. on January 2nd will become a partner in Hallowell, Sulzberger & Co., Philadelphia National Bank Building, members of the New York and Philadelphia Stock Exchanges.

With J. Logan

(Special to The Financial Chronicle)

PASADENA, Calif. — Glen W. Duke has become connected with J. Logan & Co., 721 East Union Street.

Joins Reynolds Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Walter H. Rowland has been added to the staff of Reynolds & Co., 425 Montgomery Street.

White, Weld Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Jas. R. Morse has been added to the staff of White, Weld & Co., 111 Sutter Street.

With J. D. Creger

(Special to The Financial Chronicle)

WHITTIER, Calif.—J. D. Williamson, Sr. is now with J. D. Creger Co., 13412 East Whittier Boulevard.

DIVIDEND NOTICES

CANCO AMERICAN CAN COMPANY

PREFERRED STOCK

On November 27, 1956 a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable January 2, 1957 to Stockholders of record at the close of business December 13, 1956. Transfer books will remain open. Checks will be mailed.

JOHN R. HENRY, *Secretary*

American Bank Note Company

Preferred Dividend No. 203
Common Dividend No. 193

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending December 31, 1956, a dividend of 25¢ per share and an extra dividend of 15¢ per share on the Common Stock have been declared. Dividends are payable January 2, 1957 to holders of record December 10, 1956. The stock transfer books will remain open.

E. F. PAGE, *Secretary and Treasurer*
November 28, 1956

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, N. Y., November 27, 1956.

The Board of Directors has this day declared a dividend of Twenty-five Cents (25c) per share, being Dividend No. 116, on the Preferred Capital Stock of this Company, payable February 1, 1957, out of undivided net profits for the year ended June 30, 1956, to holders of said Preferred Capital Stock registered on the books of the Company at the close of business December 28, 1956.

The Board also declared on this day a dividend of Twenty-five Cents (25c) per share, being Dividend No. 180, on the Common Capital Stock of this Company, payable March 1, 1957, to holders of said Common Capital Stock registered on the books of the Company at the close of business January 25, 1957.

In addition, the Board declared an extra dividend, No. 179, for the year 1956, of Sixty Cents (60c) per share on the Common Capital Stock of the Company, payable January 10, 1957, to stockholders of record at the close of business December 7, 1956.

D. C. WILSON, Assistant Treasurer
120 Broadway, New York 5, N. Y.

Cerro de Pasco Corporation

Cash Dividend No. 146

The Board of Directors of Cerro de Pasco Corporation, at a meeting held on Tuesday, December 4, 1956, declared a cash dividend of forty cents (40¢) per share on the Common Stock of the Corporation, payable on December 27, 1956, to stockholders of record on December 14, 1956. The Transfer Books will not be closed.

Michael D. David
Secretary

300 Park Avenue
New York 22, N. Y.

CdeP

AMPHENOL

Amphenol Electronics Corp.

At a meeting of the Board of Directors of Amphenol Electronics Corporation held today a quarterly dividend of twenty-five cents per share was declared, payable January 25, 1957, to the shareholders of record at the close of business January 11, 1957. The transfer books will not be closed.

Dated at Chicago November 27, 1956.

FRED G. PACE, Secretary

EATON MANUFACTURING COMPANY

CLEVELAND 10, OHIO

EXTRA (DIVIDEND No. 145)

On November 30, 1956, the Board of Directors declared a dividend of fifty cents (50c) per share on the common shares of the Company, payable Dec. 21, 1956, to shareholders of record at the close of business Dec. 10, 1956.

R. C. HENGST, *Secretary*

Manufacturing plants in 13 cities, located in five states and Ontario

Irving Trust Company

One Wall Street, New York

November 29, 1956

The Board of Directors has this day declared a quarterly dividend of 40 cents and an extra dividend of 10 cents (total 50 cents) per share on the capital stock of this company, par $10, payable January 2, 1957, to stockholders of record at the close of business December 5th, 1956.

RALPH B. PLAGER, *Secretary*

CANADA DRY

DIVIDEND NOTICE

The following dividends have been declared by the Board of Directors:

Preferred Stock

A regular quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock, payable Jan. 1, 1957 to stockholders of record at the close of business on Dec. 10, 1956.

Common Stock

A quarterly dividend of $0.25 per share on the Common Stock, payable Jan. 1, 1957 to stockholders of record at the close of business on Dec. 10, 1956.

Transfer books will not be closed. Checks will be mailed.

J. W. Reilly
Secretary

THE FRANCISCO SUGAR COMPANY

106 Wall Street, New York 5

The Board of Directors has this day declared a dividend of Twenty-five Cents (25c) per share on the Capital Stock outstanding, payable December 26, 1956, to stockholders of record at the close of business on December 17, 1956.

B. RIONDA BRAGA, *President.*
December 3, 1956.

ALLEN B. DU MONT LABORATORIES, INC.

The Board of Directors of Allen B. Du Mont Laboratories, Inc. this day has declared a dividend of $.25 per share on its outstanding shares of 5% Cumulative Convertible Preferred Stock, payable January 1, 1957 to Preferred Stockholders of record at the close of business December 14, 1956.

Stanley F. Patten
Treasurer

November 28, 1956

DuMont
In All Phases of Television

LONG ISLAND LIGHTING COMPANY

QUARTERLY DIVIDEND

LIL

PREFERRED STOCK

The Board of Directors has declared the following quarterly dividends payable January 1, 1957 to holders of Preferred Stock of record at the close of business on December 14, 1956:

Series	*Per Share*
Series B, 5%	$1.25
Series D, 4.25%	$1.0625
Series E, 4.35%	$1.0875
Series F, 4.35%	$1.0875
Series G, 4.40%	$1.10

VINCENT T. MILES
November 28, 1956 *Treasurer*

Minerals International Chemicals

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

20 North Wacker Drive, Chicago 6

QUARTERLY DIVIDENDS

4% Cumulative Preferred Stock
59th Consecutive Regular
Quarterly Dividend of
One Dollar ($1.00) per Share

$5.00 Par Value Common Stock
Forty Cents (40¢) per Share

Declared—Nov. 15, 1956
Record Date—Dec. 14, 1956

Payment Dates
Preferred Stock: Dec. 30, 1956
Common Stock: Jan. 2, 1957

A. R. Cahill
Vice President, Financial Division

PHOSPHATE • POTASH • PLANT FOODS • CHEMICALS
INDUSTRIAL MINERALS • AMINO PRODUCTS

SAFETY INDUSTRIES, INC.

formerly

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.

DIVIDEND NO. 238

The Board of Directors has declared a dividend of 50¢ per share on the outstanding Capital Stock of the Company of the par value of $12.50 per share, payable December 21, 1956, to holders of record at the close of business December 12, 1956.

J. T. CULLEN,
November 28, 1956 *Treasurer*

ROME CABLE Corporation

ROME · NEW YORK

71st Consecutive Dividend

The Board of Directors of Rome Cable Corporation has declared consecutive Dividend No. 71 for 35 cents per share on the Common Capital Stock of the Corporation, payable January 4, 1957, to holders of record at the close of business on December 14, 1956.

A stock distribution of one share of Common Capital Stock for every twenty shares of Common Capital Stock was declared, payable January 4, 1957, to holders of record at the close of business on December 14, 1956.

GERARD A. WEISS, *Secretary*
Rome, N. Y., November 29, 1956

Guaranty Trust Company of New York

New York, December 5, 1956

The Board of Directors has this day declared a quarterly dividend of Eighty (80) Cents per share on the Capital Stock of this Company for the quarter ending December 31, 1956, and an extra dividend of Eighty (80) Cents per share, both payable on January 15, 1957, to stockholders of record at the close of business December 14, 1956.

STUART K. BARNES, *Secretary*

Guaranty Trust Company of New York

REYNOLDS METALS COMPANY

Reynolds Metals Building
Richmond 19, Virginia

PREFERRED DIVIDEND

The regular quarterly dividend of fifty-nine and three-eighths cents (59⅜c) a share on the outstanding Cumulative Preferred Stock, 4¾% Series A, has been declared for the quarter ending January 31, 1957, payable February 1, 1957, to holders of record at the close of business January 11, 1957.

COMMON DIVIDENDS

A dividend of twelve and one-half cents (12½c) a share on the outstanding Common Stock has been declared, payable December 27, 1956, to holders of record at the close of business December 10, 1956.

A dividend of fifteen cents (15¢) a share on the outstanding Common Stock has been declared, payable January 4, 1957, to holders of record at the close of business December 10, 1956.

The Transfer Books will not be closed. Checks will be mailed by The Chase Manhattan Bank.

ALLYN DILLARD, *Secretary*
Dated, November 29, 1956

VANADIUM CORPORATION OF AMERICA

VANCORAM

420 Lexington Avenue, New York 17

Dividend Notice

At a meeting of the Board of Directors held November 27, 1956, a dividend of fifty cents per share was declared on the capital stock of the Corporation payable February 14, 1957, to stockholders of record at the close of business January 29, 1957. Checks will be mailed.

D. A. SHRIVER, Secretary
Dated November 27, 1956.

ROBERTSHAW-FULTON CONTROLS COMPANY

Greensburg, Pa.

PREFERRED STOCK

A regular quarterly dividend of $0.34375 per share has been declared on the $25.00 par value 5¾ per cent Cumulative Convertible Preferred Stock, payable December 20, 1956 to stockholders of record at the close of business December 10, 1956.

COMMON STOCK

A regular quarterly dividend of 37½c per share has been declared on the Common Stock payable December 20, 1956 to stockholders of record at the close of business December 10, 1956. The transfer books will not be closed.

WALTER H. STEFFLER
Secretary & Treasurer
November 27, 1956

THE West Penn Electric Company

(Incorporated)

Quarterly Dividend
on the
COMMON STOCK

37½¢ PER SHARE

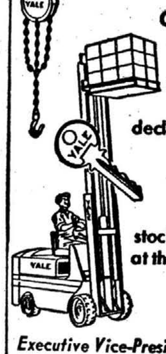
Payable December 28, 1956
Record Date Dec. 10, 1956
Declared November 30, 1956

WEST PENN ELECTRIC SYSTEM
Monongahela Power Company
The Potomac Edison Company
West Penn Power Company

YALE & TOWNE

Declares 275th Dividend

37½¢ a Share



On Nov. 29, 1956, dividend No. 275 of thirty-seven and one-half cents per share was declared by the Board of Directors out of past earnings, payable on Jan. 2, 1957, to stockholders of record at the close of business Dec. 12, 1956.

F. DUNNING
Executive Vice-President and Secretary

THE YALE & TOWNE MFG. CO.
Cash dividends paid in every year since 1899

The Labor Outlook in 1957

By WILLIAM HABER*
Professor of Economics, University of Michigan

Michigan University labor economist avers real freedom from major labor disputes will prevail during the year immediately ahead. Professor Haber expects: (1) any unemployment increase to stimulate drive for reduced work week; (2) labor union membership to grow with labor force increases but not at a very rapid rate beyond that; and (3) fringe items will advance more rapidly than the wage increases which are taken for granted.

The year 1957 will be a year of relative peace in American labor relations. The major collective bargaining agreements in the basic industries have already been adopted. Most of these do not expire nor are they subject to reopening during 1957. As a result large strikes are not likely to occur in these industries. While some collective agreements do expire or can be reopened, as in the rubber industry or coal-mining, there is a good chance that real freedom from major labor disputes will prevail during the year immediately ahead.


William Haber

Wage Increases and Fringe Items Liberalization

Wage increases are taken for granted. In part this is due to the fact that under conditions which have prevailed in the post-war period, wage increases are taken for granted. Almost all contracts signed in 1956 provided for such increases and many included deferred increases to be put in effect in 1957 and 1958. For the most part they provide increases of somewhat less than 10c per hour.

"Fringe Items" will continue to occupy an important part in collective barganing negotiations. These will advance more rapidly than wages and become a large component of payroll. There is strong evidence that what is actually taking place in industrial relations in recent years is the establishment of a private system of social security to supplement the benefits paid under the public schemes or to provide such benefits where public plans do not exist. Thus supplementary unemployment benefits, disability benefits and private pension plans supplement the three public programs in these fields. Disability pensions and health protection provide medical benefits to nearly 13,000,000 employees. Recent contracts suggest a large liberalization of paid vacations with a strong trend to a minimum of two weeks for everyone and three weeks and more for those with longer seniority. Everything indicates that the trend toward further liberalization of fringe benefits will continue in 1957 and 1958.

Long-term contracts. The idea of long-term contracts is a post-war development and has many advantages. Negotiations are long and costly and annual or bi-annual agreements are both disruptive and create an uncertain labor situation. As a result an increasing number of labor contracts are for two and three years and some longer. The difficulty which arises is how to deal with unforeseen conditions which make the provisions in an agreement unpalatable either to management or labor. Even where provisions for reopening of the contract where conditions change substantially are provided, such contracts have many advantages over the short-term arrangements. The trend, as I see it, is still toward longer period arrangements of at least two and more likely three years.

Slowed Down Labor Growth

Will unions continue to grow? The year 1957 should test the success of the union drives for larger membership expansion. One of the results of the merger between the AFL and CIO will no doubt be the pooling of resources, the elimination of jurisdictional disputes, and some consolidation of unions. Some observers hold that an increase of two or three million union members largely from white-collar occupations and retail trades will take place in the next few years. Others contend that the labor union membership has reached a plateau and will not advance much beyond their present size for the next few years. In my judgment labor union membership will grow with the increase in the labor force but not at a very rapid rate beyond that.

What about the shorter hours movement? There will be a strong drive for a shorter work day. There is strong interest in this problem and various unions are exploring the practical aspects involved. 1957 should see intensive preparations in this area. Any increase in unemployment will further stimulate interest and hasten demands for a reduced work week. The speed with which these are pressed will depend upon the needs of national defense, the general economic situation and automation.

The 35-hour week already prevails in some industries. In clothing, printing, construction, breweries, for example a 7 or 7½ hour day has been in operation for some time.

Unemployment Will Pressure Shorter Hours

It would be folly to assume that the work day or the work week can be cut without loss in standard of living unless there is a proportionate increase in productivity. A reduction from 40 to 39 hours per week, for example, represents a 2½% decline about equal to the annual increase in man-hour output. There is real doubt in my mind as to whether wage earnings are really eager for more leisure if any part of it is to come at the sacrifice of standard of living. Quite apart from that several practical problems must also be considered. One is the likelihood that with shorter hours many employees will occupy two jobs. It is estimated that nearly three million workers already have double employment thus choosing more work rather than leisure. Another problem is the pressure for overtime which is no doubt likely to increase with the reduction in the work day or work week. Nevertheless, any increase in unemployment will stimulate the pressure for reduced work day even though other methods of dealing with unemployment are available.

*Summary of an address by Professor Haber before the Fourth Annual Conference on the Economic Outlook, University of Michigan, Nov. 15, 1956.

BUSINESS BUZZ

"Reckon it's about time I sold that buggy company stock, Matildy?"

Our Reporter's Report

The corporate new issue market developed a bit more cheerful tone this week with better demand reported greeting several top-rated offerings which were put out for subscription.

The improved situation was not an outcome of any change in attitude on the part of large scale institutional investors, but rather reflected the appearance of smaller investment units as buyers.

Major insurance companies and the larger pension funds were still reported pretty much out of the market on the buying side with the bulk of their available funds being pledged under previous commitments by way of private placements or mortgages.

The foregoing group is reported as cool to smaller-sized issues on the theory that there is not likely to be enough competition among bidders. They are disposed to await larger-scale undertakings in anticipation of wider-scale dealer competition.

Accordingly, it develops that their smaller counterparts, who don't get much of a chance at private placements, are inclined to look more kindly on the opportunity to pick up top quality issues, when available, at what they regard as reasonably satisfactory yields.

Dallas Power & Light's $10 million of 30-year, first mortgage 4¼s, brought out to yield 4.20%, made the best showing of any new issue in recent weeks, going out quickly to investors.

Michigan Bell 4⅜s

In keeping with the somewhat firmer tone permeating the primary, and also the secondary, investment markets, Michigan Bell Telephone's $30 million of new 35-year debentures encountered relatively satisfactory reception upon public offering.

Priced at 102.266 to yield about 4.25%, the issue, rated AAA, proved attractive to some investment interests with the result that a quick cleaning of the "pot" was reported.

Another element in this situation, making for better than ordinary reception, was the fact that obligations of Michigan Bell are not as plentifully distributed as those of some others in the Bell System.

Seeking "Tax Switches"

The tenor of conversations in a number of directions these days gives one a quick hint of the season of the year at hand. Right now a number of bond men, normally engaged in distribution, are putting in their time working out "tax switches" for clients.

This is a sure sign that the end of the year is approaching rapidly. Naturally some of this activity is developing in the corporate markets as might be expected.

But the bulk of it currently is being done in the tax-exempt section of the investment field, with no small part involving some of the turnpike issues of not too distant vintage. Switches aim to take the current loss with the hope of recouping after the turn of the year.

Diversified List

A relatively wide selection of new issues looms for investors in the week ahead. An offering of $22,480,000 of serial debentures of the City of Montreal will be put up for bids on Monday to open the week. Bankers are slated to offer the same day 820,000 shares of Arkansas-Louisiana Gas.

The following day bankers will bid for 80,000 shares of new preferred stock of Delaware Power & Light Co.

Also on Tuesday Florida Power & Light will take bids for $15 million of new mortgage bonds. Two negotiated deals will swell the week's total.

Largest of these is Texas Eastern Transmission Corp.'s $40 million of new debentures slated for Wednesday and May Stores Realty's $25 million of 21-year general mortgage bonds scheduled for Thursday.

Washington . . . and You

Column Not Available This Week

NASD District 11 Elects Members

WASHINGTON, D. C. — Announcement has been made of the election of three new members of NASD's District Committee No. 11 (District of Columbia, Maryland, North Carolina, Virginia and West Virginia). They are: E. Clinton Bamberger, Baumgartner, Downing & Co Baltimore; Frederick J. Bellamah, Bellamah, Neuhauser & Barret, Washington; and Edward C. Anderson, Anderson & Strudwick, Richmond, Va.

Donald Macurda to Be Smithers Partner

Donald B. Macurda, Manager of the Research Department, on Jan 1 will become a partner in F. S. Smithers & Co., 1 Wall Street, New York City, members of the New York Stock Exchange.

With United Investors

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — James F. Reynolds is now with United Investors Inc., U. S. National Bank Building, Mile High Center.