A Merry Christmas

The COMMERCIAL and FINANCIAL CHRONICLE

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EDITORIAL

As We See It

As a result of the extraordinary increase in the child population in recent years—and also by reason of the luxuries which have been permitted to enter into the educational processes—the need, or at all events, the demand for additional school construction is very large. The various "services" which government undertakes these days are calling all the time for more and more money. The spending schedule of the Federal Government is on the rise again. Everything that any of these governmental units undertake to do costs much more than it used to. Borrowers, whether the Federal Government or the smallest taxing unit, find that they must pay much more for their money than was required a few years ago. Politicians and government administrators alike are loud in their complaints of the situation by which they are faced.

Unfortunately they do not as a rule recognize their own chickens which are thus coming home to roost. Yet it is clearly a fact that these birds are the very ones that they so carefully brooded and so sedulously nourished for years. And they have for a fact grown into lusty fowl. Construction costs are now running two or three times what they were in 1929, and about twice what they were when World War II came to a close. It costs about twice as much to build a mile of road as it did in 1929, and half again what it did at the end of World War II. Wages in the contract construction industry have about doubled within the past decade. In manufacturing, wages are around three times their 1929 level and are

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Our Crucial Money Market In Financing Prosperity

By HON. W. RANDOLPH BURGESS*
Under Secretary of the Treasury

After expressing appreciation for life insurance industry's affirmative efforts in scarce mortgage money areas, which threaten to draw Government intervention and paternalism, Under Secretary Burgess analyzes money demand forces at work, and believes credit restraint, stable prices and growing interest in savings will permit realization of sustained and vigorous economic growth without further inflation. Mr. Burgess urges greater savings to provide funds for this new and greater America; cites cut in Federal debt in past year from $280 to $276.5 billion, and says further reduction is planned.

The Treasury Department particularly appreciates the support the life insurance industry has given to mortgage financing through the voluntary mortgage purchase plan. Real estate financing was one of the areas hardest hit by scarce money. Your efforts have been most helpful in meeting a real human need in making mortgage money available for low-cost housing in areas where it was scarce.

W. R. Burgess

Whenever the mortgage market is tight, the social and political pressure for putting the Government directly into mortgage lending is very great. That we should avoid just as far as possible. It hurts the budget, delays tax reductions, and has all the disadvantages of extending governmental paternalism into the lives of our people. Your affirmative effort in pushing your own enterprise into scarce money areas has

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*An address by Dr. Burgess before the 50th Anniversary Meeting of the Life Insurance Association of America, New York City, Dec. 13, 1956.

Lessons for Us in Question—Was Gold Standard Doomed?

By DR. MELCHIOR PALYI

International Economist Palyi details Post World War I Central Bankers' unwillingness to maintain principles against the onslaught of monetary and fiscal-manipulation pressures and the events leading to break down of the gold standard, and indicates "the dangers this country is courting—'again and again'." Dr. Palyi describes the rules that were violated, particularly those pertaining to liquidity; finds it "difficult to believe that the responsible men had 'lost their heads' and acted on panicky impulse," and believes the inside story is one of the Century's best guarded secrets.

The Monetary Revolution

The twenty-fifth anniversary, on Sept. 21, of the Bank of England going "off gold," was not celebrated anywhere. In fact few papers even took notice of the date. And few people realize the full significance of the event, or remember its glorification in the 1930's. Yet, it was a unique, historic event of cataclysmic impact.

Dr. Melchior Palyi

Tinkering with the currency is a practice as old as monetary history. Bankrupt governments and over-indebted nations indulge in it as a matter of course. But never before did a creditor country take recourse to the trick of devaluing its currency in order to trap its own creditors. At the time, notwithstanding the depression, Britain still was the world's leading creditor nation, London the global center of finance, commerce, shipping and insurance. Overnight, over a week-end, the Bank of England, that paragon of capitalistic solidity, dishonored its most solemn promises and

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

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Purex Corporation, Ltd.—George V. Honeycutt, of Harbison & Henderson, Los Angeles, Calif. (Page 2)

Chrysler Corporation — Henry Warner, of Heller & Meyer, East Orange, New Jersey. (Page 2)

GEORGE V. HONEYCUTT

Harbison & Henderson

Los Angeles, Calif.

Purex Corporation, Ltd.

The security I like best—is the stock of a growth company. One such company is Purex Corporation Ltd. — my selection for the "Chronicle's" forum at this time.

That Purex is entitled to the term "growth company" is shown by their consistent gains in annual sales and earnings in one of the most competitive markets in the world. The big reason for this is an alert, heads-up MANAGEMENT. I'll dwell more on this later.

The brand names of the company's product are: "Purex"; "Old Dutch Cleanser"; "Sweetheart"; "Trend"; "Blu-White"; "Beads O' Bleach"; "News"; and "Protex."

The company's real progress and growth began in 1947, when a program of diversification was launched. From the incorporation of the company in 1927 until 1947, its business consisted almost entirely of the manufacture and sale of Purex, a household bleach. In 1947, the company entered the synthetic detergent field with Trend (in dry form), and News in 1952. In 1953, they introduced a dry bleach and in 1955 Trend in liquid form began to appear on grocery shelves.

In the past two years, two highly important acquisitions have been consummated. The first was the purchase of Old Dutch Cleanser from The Cudahy Packing Co. in May, 1955, which has proven to be a very profitable addition to their line.

The next important purchase was the Manhattan Soap Company, Inc. and its subsidiaries, which manufacture and distribute Sweetheart Soap, Protex—a deodorant toilet soap, and Blu-White dry bluing. This was acquired in July, 1956.

The combining of all these lines in one sales organization is resulting in greater economy and considerable savings of commissions previously paid food brokers. By direct selling they will not only save approximately $400,000 a year, but will have better control of sales effort and complete concentration of manpower on Purex and Manhattan brands.

For the year ended June 30, 1956, sales had mounted to a new high of almost $35 million, up 39% from the previous year's $25 million. Earnings amounted to slightly more than $1 million, or $1.59 a share on 631,449 shares. As the Manhattan acquisition was not made until July, 1956—their sales are not included. Manhattan, for the year ended Dec. 31, 1955, had sales of over $11¼ million.

The management of Purex Corporation estimate that their total sales for the current fiscal year will reach approximately $52 million, and they should show earnings of approximately $2.40 per share for the current fiscal year.

Cash dividends at the rate of 20 cents per quarter, 80 cents for the year, were paid in the 1956 fiscal year. This continued the company's unbroken dividend record from 1936. In addition to the cash dividend—a stock dividend of 3% was also paid. It is the expectation of management to supplement the yearly cash dividends with a year-end stock dividend, depending of course on the earnings and surplus picture at that time.

A good manner in which to demonstrate the ability of the management of Purex is to follow the way they raised the sales of the Old Dutch Cleanser line. Here they took an old, established brand name, which had been doing about 4% of the nation's business in this line of household cleansers, and gave it a "new" look. They modernized the product and gave it a new label. Instead of "Old Dutch Cleanser"—it now appears on the grocery shelves as "New Blue Dutch Cleanser." Their sales increased 121% over the preceding year. And current sales indicate that they are getting approximately 14% of the nation's business now, or an improvement of over 300% since the time they took the product over.

The spark plug of the management team is the very able Chairman and President, Adrien C. Pelletier, who has surrounded himself with exceptionally capable officers and directors. In his last annual report, Mr. Pelletier stated in part: "We probably spend more money on laboratory and consumer research than any company our size in this field, but I assure you it is the only way Purex can keep in the race for consumer preferment. We are unrelenting in our search for better quality at lower costs."

Purex has proven that when you put a product on the grocer's shelves that is not only top quality, but attractive in price to both the grocer and housewife, you will get a good share of the market. And this must be accompanied by an effective advertising program. This year's advertising budget will run around $6 million.

Purex is now the second largest in the United States in the production of liquid and dry bleach and dry bluing; one of the four largest in production of light duty synthetic detergents; one of the three largest household cleanser manufacturers, and one of the five largest in production of toilet bar soaps.

In an article of this length, a lot of statistics have to be left out, but the investor can obtain them elsewhere in various service reports.

The financial position of Purex is sound. The common stock has had a range of 14 low and 21½ high in 1956, and is currently selling around 18. With only 790,335 shares currently outstanding, sales of $52 million this year anticipated for a profit of about $2.40 per share, a cash dividend of 80 cents plus an indicated stock dividend at year-end, it is my opinion that the common stock of Purex Corp., Ltd., offers the investor an excellent opportunity to purchase the equity of a growth company at an attractive price in relation to these factors.

HENRY WARNER

Heller & Meyer, East Orange, N. J.

Chrysler Corp.

Every sign points to 1957 as being a tremendous year for Chrysler Corp. Auto industry leaders are expressing extreme optimism about the industry outlook. Chrysler in particular, with its $300,000,000 restyling of the Plymouth, Dodge, Desoto, Chrysler, and Imperial should benefit importantly from the timely introduction of these models. The most tangible evidence of the reception that the "Forward Look" is receiving is the heavy pace of dealer orders, which amounted to 350,000 vehicles for November alone. There is a seasonal factor involved in this large, and almost unprecedented level of ordering; however it compares most favorably with the total of 1,300,000 vehicles sold in the entire year 1955—the year of Chrysler's great comeback.

Henry Warner

Aside from the excellent prospects for Chrysler in the 1957 model year, there is considerable bullish significance in the company's five-year $1 billion expenditure program. Chrysler is at a competitive disadvantage to both General Motors and Ford because of higher manufacturing costs and a less efficient distribution system. Chrysler's efficiency (and therefore its profit margin) will be increased by a greater amount for each dollar it spends on improvements than will its two principal competitors.

The requisite funds for this improvement program will be available to Chrysler through long-term debt and/or retained earnings. With the stock at current levels, an investor can feel reasonably safe that management will not indulge in large scale equity financing.

Most significantly, Chrysler is at no disadvantage in the basic product acceptance of its cars and trucks relative to the other two of the "Big Three." In the first nine months of 1956, Chrysler in one of its poorer years (aside from 1954) still sold 16.5% of all the passenger cars merchandized at retail, which was only moderately below the 17.5% for 1955's first nine months. This shows that Chrysler car owners are above-average in loyalty to the company's products. The resale value of Chrysler automobiles is at least average and has been improving since the 1954 low point.

Chrysler is not as good a company as General Motors or Ford. At current stock market prices it doesn't have to be. Taking the commons at market and senior securities at par, Chrysler sells for less than $850 million, Ford at more than $3 billion and General Motors at more than $13 billion. Chrysler is an outstanding value when you consider that the Ford Motor Company priced at over three times Chrysler, and General Motors priced at over 13 times Chrysler, provide the investor with only one and one-half and four times Chrysler's volume of business respectively.

This relatively large volume of business for each dollar invested in Chrysler is what makes this situation so exciting. The opportunity for sharply increased earnings is very real. Each one percent increase in Chrysler's profit margin is worth about $4 additional earnings per share on their relatively small capitalization (8.8 million shares compared to General Motors 275 million shares).

The young men now in charge of the company are astute and aggressive—the 1957 models are testimony to that.

It is still very early to try to predict 1957 earnings results. Since plant expenditures during the last two years have made the company inherently more efficient, it is not unlikely that Chrysler could exceed their $11.49 per share figure of 1955.

The Economic Outlook And Investment Strategy

By WILLIAM W. TONGUE*

Economist, Jewel Tea Company, Inc., Illinois

Short and long run projections, interest rate outlook, and investment strategy to pursue, should past types of business cycle not reappear, are topics offered in Jewel Tea Company Economist's appraisal of the forces at work today and what he believes they will lead to in the future. Mr. Tongue foresees: the extent to which GNP and personal disposal income are expected to increase in 1957; relatively wild fluctuations about a rising growth trend; gradual price rise; and higher interest rates. Traces implications of this for portfolio selection techniques, pension fund purchasing power protection, and earnings concepts.

When an economist approaches his task of appraising the business outlook, he does so with a sense of humility, realizing that students can honestly differ on the interpretation of the facts in a given situation. As it was put by that contemporary humorist-philosopher of the banking field, Herbert Leggett of the Valley National Bank in Phoenix, speaking partly seriously and partly in jest about the recent political campaign:

William W. Tongue

"When politicians start to spout statistics, we start to shudder. Pointers with pride and viewers with alarm are able to take the same identical figures and reach diametrically opposite conclusions. Of course, this is not too surprising — economists do the same thing."

Among economists today, however, there is a wide measure of agreement that the near term outlook for business is good. In the period from last spring to this fall, we have come through an adjustment in several industries which now appears to be largely completed. The adjustment affected textiles and automobiles in the main, and was accompanied by a decline in housing starts from a seasonally adjusted annual rate of 1,200,000 early in the year to about 1,000,000 currently. While the automobile and textile situations appear to have turned around, it is by no means clear that housing starts will continue to hold a 1,000,000 per annum rate or better. It does seem likely, however, that any further decline in housing starts will proceed at a less rapid rate than the decline thus far this year.

Other factors affecting national output and income exhibit strength. Government expenditures are now on the rise at the Federal level. Growth is continuing in the expenditures of state and local governments—a trend which is likely to be reinforced by the approval of $2½ billion of projects at the recent elections.

The consumer is not showing any great exuberance according to the last survey of the University of Michigan Survey Research Center, and in the past six months or so he has exercised a commendable degree of caution in incurring new debts. On the other hand, consumer buying has not been curtailed sharply; and many feel that the consumer is now in a better position to increase his purchases if he finds attractive values, and is more likely to increase his instalment buying than he is to curtail it further.

Business capital expenditures, which have been in a sharply rising trend since early 1955, show every indication of continuing at the current record rate, or possibly rising higher. We should have further word on this subject shortly as the McGraw-Hill Survey, now under way, is completed.

The business inventory situation, which showed signs of developing surpluses in the second quarter this year, tightened up considerably with the steel strike this summer and the very thorough clean-up of 1956 automobiles at the retail level. The latest figures we have show that inventories have been rising modestly—at a $2 billion per annum rate for the third quarter. The rate seems more likely to rise than to fall in the immediate future, and this will be a support to business activity.

Thus, as I and many others appraise the situation, the fundamental factors weigh predominantly on the bullish side. As a result, I expect that Gross National Product will average $425 billion or more in the first half of 1957 compared with $413.8 billion in the third quarter this year. Disposable Personal Income, now $288.2 billion, should be at the threshold of the $300 billion mark by the middle of next year.

The Longer Term Outlook

I am not certain how much this basically strong outlook for business over the next six months will affect your investment operations today. I am reminded of a remark by a security analyst who visited us recently to discuss the fortunes of the Jewel Tea Company. He remarked, "I am not too concerned about the outlook this year or even next. We invest

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*An address by Mr. Tongue before the 25th Mid-Continent Trust Conference, American Bankers Association.

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Railroad Discount Bonds

By HELEN A. CAMERON
Research Assistant, Department of Economics
Ohio State University

Ohio State University Economist looks into "pretty much ignored" attractiveness of several railroad discount bonds, and finds that yields from those bonds are as high or higher than those from the stocks. Noting that bond prices year after year follow much the same curve, Miss Cameron advises we are now probably close to the bottom of that curve for 1956-57

The average investor has four main objectives in mind — safety, liberal income, liquidity, and a reasonable prospect for appreciation and capital gains. There is one segment of today's market which qualifies in these respects and still is being pretty much ignored. This is the section of the New York Bond Market consisting of railroad discount bonds. The rail stocks bearing the same corporate names as these bonds are popular marketwise.

Helen A. Cameron

The security behind these bonds and their historic price stability offer protection against the ever-present possibility of a market drop. Listing on the New York Stock Exchange gives them almost instant liquidity. The yield at current prices is liberal. There is every prospect of price appreciation for these bonds over a reasonable extent of time.

Railroads, via railroad sinking funds, are continuously buying in their own discount bonds. According to a recent ruling of the Bureau of Internal Revenue, railroad profit on the purchase of such bonds at a discount is not taxable either as income or profit.

Table I shows six of these issues which seem especially well situated for the objectives of the investor. There are two issues of the New York Central, one of the Chicago and Eastern Illinois, one of the Chicago, Milwaukee, St. Paul and Pacific, one of the Missouri-Kansas-Texas and one of the Northern Pacific. A more detailed description of these issues follows:

New York Central and Hudson River Lake Shore Collateral Trust 3½s of 1998; also New York Central Consolidated Mortgage 4s of 1998.

The New York Central Lake Shore Collateral Trust Bonds are secured primarily by a second lien on 950 miles of main line between Buffalo and Chicago and also by a second lien on 1,394 additional miles of main line between New York and Buffalo. These bonds are also secured by first mortgages on the extensive real estate owned by the New York Central around the Grand Central Terminal in New York City in the neighborhood of 35th and 37th Streets.

Allegheny Corporation, for many years in the news as a railroad holding company, acquired control of the New York Central Railroad in mid-1954 after an extended proxy fight. The New York Central, through the Allegheny Corp. has become affiliated with the fabulous real estate firm of Webb and Knapp with Zeckendorf at its head. One of Webb and Knapp's projects was the sale to the Rockefellers for $8 million of a block of property in the east side Manhattan. This block was to become the internationally famous UN Building.

The first association between Central and Webb and Knapp came last year when the real estate firm was appointed administrator of the New York Central's Manhattan properties.

Some of Webb and Knapp's plans for the future of the New York Central's Manhattan real estate, at present valued at a conservative $40 million, are as follows:

An area consisting of more than 40 acres running between 30th and 38th streets now occupied mainly by Central's freight yards is to be the sub-basement of a $400 million Atomic City Development. The railroad's yards will remain undisturbed underneath this project. There will be 10 buildings with an area of 12,000,000 square feet and a 1,750 foot observation tower. This project is close to actual construction.

The other more nebulous plan is the erection of a $100 million 80-story super office building complete with helicopter landing stage atop the Grand Central Terminal.

The Chairman of New York Central's Board, Robert R. Young, has stated several times that enhancement in value of the road's real estate holdings, either from sale or appreciation, would lead to the retirement of the subject bonds by purchase or by tender. The Lake Shore 3½s are non-callable, so that there is no real ceiling to their price.

The Consolidated 4s of 1998 are a second mortgage on the real estate covered by the New York Central Hudson River Lake Shore's first mortgage and are also secured by a third lien on all the Central's main line. These bonds are also non-callable and are attractive for their liberal yield.

New York Central management has recently embarked on a five year plan to rehabilitate the New York Central properties. They believe that opportunities are enormous. The program includes the installation of modern electrically equipped push-button gravity classification yards which will speed up service and eliminate present duplicate and obsolete yard facilities. It also provides for installation of Centralized Traffic Control which will permit the elimination of multiple tracks and enable trains to move at higher speeds. The indications are that New York Central earnings and provisions for bond retirement will both show a rising trend in the near future.

Chicago and Eastern Illinois Debenture 5s of 2054.

The Chicago and Eastern Illinois is the only railroad serving the important steam-operated generating plant at Joppa, Illinois, which supplies power for the atomic energy plant operated by five utilities at Paducah, Ky. The C. & E. I. extends from Chicago through one of the highly industrialized regions of the country to Danville, Illinois on the west, Terre Haute and Vincennes, Indiana on the east, and south to the Ohio River at Evansville and Mt. Vernon, Indiana.

These Debenture 5s were exchanged on Dec. 31, 1954 for the Class A common due to the tax advantage, bond interest coming before Federal income tax instead of after it. However, within a few years these bonds will probably be the sole bonded obligation of the company. The First Mortgage 3¾s are rapidly being retired by sinking fund, only $7,500,000 remaining of the $20,000,000 issued in 1945.

The General Mortgage 5s of 1997 carry an attractive conversion privilege, the figure being only a little above the present level of the stock and equal to its high price for the current year. The conversion of these bonds into common stock seems imminent.

For liberal yield and future credit position these debentures are attractive.

Chicago, Milwaukee, St. Paul and Pacific General Mortgage Income 4½s of 2044.

This 10,640 mile railroad serves the agricultural, timber-bearing, mining country in the northern tier of the country from Chicago to the Pacific. This road, too, took advantage of the opportunity to decrease taxes and increase earnings by converting its preferred stock into debenture bonds in January of 1955. The 4½s of 2044 are senior to the debentures into which the preferred was converted, being General Mortgage Bonds, secured along with the 4½s of 2019 by a general mortgage on the entire road.

This rail has many possibilities for future progress. The Canadian Pacific owns 50.2% of its common stock, making this road an integral part of the Canadian Pacific's fabulous empire. A subsidiary of the C. M. St. P. & P., the Milwaukee Land Company, owns 128,352 acres of timber land, with a practical certainty of enhancement in value. The C. M. St. P. & P. and the Chicago and North Western are contemplating a merger which would cut costs greatly. The consummation of this merger is being postponed only until such time as the physical properties of the C. & N. W. can be improved to the level of those of the St. Paul.

The 4½s of 2044 have their income interest cumulative up to 13%. This interest may be paid out of past earnings as well as from present earnings. There are two sinking funds which operate in this issue and its companion, the 4½s of 2019. The first sinking fund consists of ½% of the total amount of both issues originally authorized. The other is an amount annually equal to 50% of any common dividend. The current dividend rate is $1.50 a share. The amount outstanding of this issue has decreased 33⅓% since its issuance in 1944. The sinking funds alone will gradually raise the market price of this issue.

Missouri-Kansas-Texas 5s of 1967.

This road, familiarly known as the Katy, operates 3,240 miles of road extending from St. Louis and Kansas City in the north, southward through agricultural, industrial and oil producing areas in Missouri, Kansas, Oklahoma and east-central Texas, terminating at San Antonio and the Gulf ports of Houston and Galveston. Connection is made at San Antonio with rail mileage in Mexico. More than 40% of the Katy's mileage is in Texas. This road, formerly too dependent on agriculture, is being helped by the industrialization of its territory.

The Katy's preferred stock has a large accumulation of back dividends for which no satisfactory solution has been found or seems in prospect of being found. No one seriously considers that the accumulations will be paid either in full or in cash. This dilemma, grown hoary with age, prevents the payment of dividends on the common stock. Meanwhile, the protection behind the income bonds builds up.

In 1948, there was an accumulation of 25% back interest on these 5s of 1967. In the four years from 1949 to 1952, inclusive, the Katy was able to pay 45% in back and current interest on these bonds. There is no longer any accumulation and their future seems assured. Interest is fully cumulative and paid twice a year, on April 1 and Oct. 1. Although income bonds, they are legal for bank investment in the State of New Hampshire. These bonds are secured by a second mortgage on all of the Katy's road and also on all other physical property of this railroad.

Northern Pacific Mortgage 3s of 2047.

The oil-rich Williston Basin of Montana and North Dakota has made Northern Pacific stock famous. The Northern Pacific because of its holdings in this region is now known as the oil railroad.

1,995,772 acres of these holdings, 1,307,000 of them in the Williston Basin, are a portion of the security back of the 3s of 2047 and the prior line 4s of 1997. These properties are approximately 90% land grants. Net proceeds from these land grants must be deposited with the trustees of the 3s of 2047 and the 4s of 1997 annually. 50% of such proceeds (but not more than $500,000 annually) must be used to purchase the 3s of 2047 up to the price of 100 and the 4s of 1997 up to 110. (The 4s are currently selling at 101.) The remainder of the proceeds must be used for additions and betterments to the road or to the mortgaged property or invested otherwise. Proceeds from this portion of the Northern Pacific's holdings cannot be used directly to pay dividends to stockholders.

Additional security back of these bonds consists of a second lien on 4,968.77 miles of railroad extending from Chicago to Portland, Oregon and Vancouver, B.C., through some of the richest mineral deposits in the country.

These bonds are non-callable. They are also a really good investment.

In summarizing, attention should again be called to Table I. From this Table, it is evident that in most cases, the yields from these really promising and interesting bond issues are as high or higher than those from the stocks of the same companies.

Year after year, railroad bond prices follow much the same curve. We are now probably very close to the bottom of that curve for 1956 and 1957.

TABLE I

Current Prices and Yields, Railroad Discount Bonds and Corresponding Stocks Dec. 3, 1956

Issue—	Current Price	Yield	Corresponding Stock	Price	Yield
New York Central Hudson River Lake Shore Coll. 3½s of 1998	61	5.74	New York Central	34	5.88
New York Central Consolidated Mortgage, Series A, 4s of 1998	64	6.25	New York Central	34	5.88
Chicago and Eastern Illinois Debenture 5s of 2054	62½	8.00	Chicago & Eastern Illinois	22½	5.55
Chicago, Milwaukee, St. Paul & Pacific General Mortgage Income 4½s of 2044	58½	7.69	Chicago, Milwaukee, St. Paul and Pacific	17	5.66
Missouri, Kansas, Texas, Adjustment Mortgage Series A 5s of 1967	60	8.38	Missouri, Kausas and Texas	9¾	None
Northern Pacific General Lien Mortgage 3s of 2047	64	4.67	Northern Pacific	38	4.73

SOURCE: The Commercial and Financial Chronicle, Dec. 3, 1956, Vol. 184, No. 5591.

Blyth & Co. Elects Three Vice-Pres.

Blyth & Co., Inc., 14 Wall Street, New York City, underwriters and distributors of investment securities, have announced the election of Sydney G. Duffy, Frank L. Mansell and Stanley A. Russell, Jr., as Vice-Presidents.

Mr. Duffy is Syndicate Manager in the firm's New York office. He joined Blyth in the Los Angeles office in 1939 and has been in New York since 1946.

Mr. Mansell, who is in the New York buying department, has been with Blyth since 1952. Previously, he spent four years with the Lee Higginson Corporation.

Mr. Russell is Resident Manager of Blyth's Philadelphia office. He joined the firm in New York in 1946 and was transferred to his present position in 1952.

Hill & Co. to Admit C. T. Smith

CINCINNATI, Ohio — Hill & Co., Carew Tower, members of the New York and Cincinnati Stock Exchanges, on January 1st will admit Clay T. Smith to partnership.

W. E. Hutton Co. To Admit Keusch

W. E. Hutton & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, on January 1st will admit Ernest E. Keusch to partnership. Mr. Keusch is manager of the firms mutual fund department.

With Cunningham, Gunn

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Murray C. Kephart is now with Cunningham, Gunn & Carey, Inc., Union Commerce Building, members of the Midwest Stock Exchange.

Observations . . .

By A. WILFRED MAY

INVESTING DO'S AND DONT'S—FOR THE NEW YEAR'S*

GENERAL AIMS AND PRINCIPLES

Avoid activities concerned with predicting short-term price fluctuations, that is, "beating-the-market."

Follow *logical* criteria in dealing with all phases of the market place—in lieu of the many widely-embraced foibles.

If you rely on an expert professional adviser, concentrate on checking on the soundness of his general approach and policies; refraining from forcing him to follow unsound practices to pander to your speculative whims—remembering that *the trouble with Wall Street is the investor.*

A. Wilfred May

Do not let external events, no matter how striking, influence you to deviate from rigid adherence to logical, long-term, value-based investment principles. In dealing with financial questions, personal political convictions and partisanship are irrelevant.

* * *

VALUE APPROACH TO SECURITY SELECTION

Regard your share-holding as a stake in a property—not as a quotation.

Apply quantitative standards of realism to the dividend and earnings-ratio, rather than tradition, fashion or other extraneous elements. For example, you might set your favorable buying price at an amount to compensate you for the money-rental and risk elements of your capital to be invested.

Price deviates from *value* over the short-term, offering advantageous buying and selling opportunities.

But concentrate on the quantitative criteria related to the business, in lieu of fluctuations in quotations of the equity share.

Any time is a good time to buy a good *value.*

* * *

INVESTING FOIBLES AND SELF-ANALYSIS

Knowing how to live with your investments is fundamental. The state of your mind is as important as the state of the market.

Avoid prevalent psychological aberrations, escapism, manic-depressivism, rationalization, style appeal, and in general the "madness of crowds" versus relevant factual data.

Make practical constructive use of your recognition of prevalent aberrations, by letting them serve as valid confirmation of suspected opportunities for advantageous investing decisions essentially stemming from value criteria.

* * *

ON MARKET FORECASTING AND TIMING

Conduct yourself to counteract the constant overemphasis on forecasting in all phases of the financial world, realizing that it is unwarranted on the ground of empirical results as well as logic.

* * *

HOW TO READ FINANCIAL NEWS

Objectively, cold-bloodedly, concentrate on the *value* phases of news coverage.

Distinguish between factual data and interpretation.

Preserve phlegmatic attitude through succeeding periods of rising and diminishing speculative excitement.

HOW NOT TO READ

Don't be misled by glamorization and dramatization.

Disregard rumors and rumor-mongering.

Don't "watch the ticker" via gobbling up up-to-the-minute newspaper quotations. In fact, there generally is no justification for an investor to peruse the stock table daily, or even weekly.

Continued on page 30

*Summary of a lecture in the series "Your Investments" at the New School for Social Research, New York City, Dec. 20, 1956.

Soviet Russia Interviewed

By TED HALLOCK

Director, Department of Public Affairs,
J. Henry Helser & Co., Portland, Oregon

Executive of Pacific Coast investment firm on visit to USSR tape-records many personal conversations with a variety of Russian citizens from many walks of life.

In sending me to the USSR for a 23-day, 4,000-mile, tour of eight western Soviet cities, Mr. Helser asked that I attempt something which no American radio reporter had previously accomplished: tape-record personal conversation with Russian citizens, free from official censorship—compatible with travel demands and individual Soviet temperment. In all, I obtained 20, half-hour interviews, on subjects ranging from buying power to antibiotics; from cinematography to thrift habits; from farm production to spiritual freedom—or lack of it.

Ted Hallock

This technique does not absolve the reported from the stigma of excessive subjectivity. Recognizing the possible danger of personal preconceptions or misconceptions in presenting a fair picture of Russia today, I sought the preparatory help of several authorities; asking them to draft fair questions for my use. My experts included Mrs. Franklin D. Roosevelt (Social Conscience); Meyer Kestnbaum, Hart Shaffner & Marx (Business); Dr. Gordon Sabine, Dean, College of Communication Arts, Michigan State University (Communications); Dr. Paul Popenoe, Director of The American Institute of Family Relations in Los Angeles (Family Life), and others.

I wanted specific information on Religion, Science and Technology, Labor, Agriculture, Medicine, Education, The Arts, Law and Government, Leisure and Entertainment, and the subjects named above.

My success was fair; kaleidoscopic, but certainly more valuable than mere personal conjecture would have been after a trip without such interviews. No genuine assistance was offered by the Soviet travel agency Intourist, nor were any abnormal restrictions imposed upon my movements. My interviews with individual "men on the street," however, were looked upon sourly by Intourist.

I was told repeatedly that almost every person with whom I desired to talk "had no authoritative knowledge" of the subject concerned and that such "knowledge" would be available in Moscow. Daily, my requests for various interviews were shunted aside by Intourist on the grounds that "It is too early," or "It is too late," or "Today is a holiday" (for this business, this city, this region, etc.), or "I shall call Moscow for permission."

Frustrating though the game became, there was no option save to play it. Using my own schoolboy Russian; the services of English-speaking Russians when and where I could find them; the French, German, and Russian of my fellow tour members, and the services of an official guide when it met his convenience, I accomplished Mr. Helser's assignment.

This article sums up the contents of each tape-recorded interview in paraphased excerpts. Some spellings of proper or place names are phonetic.

A College Couple

George and Zana Bonchkahfska are a typical middle-class, young married couple (even in Russia's allegedly classless society there are obvious economic and intellectual distinctions). George is 23, Zana is 19. I met George in Odessa; he was searching for English-written pocket books. He is a language student.

They have been married seven months and live in Leningrad. Both were spending their annual two-month vacation on the Black Sea, for which they had "saved money for the last three months." They told me there was no other real reason to save money except for this annual outing.

George and Zana met "on the street," while each was in college. They "dated" — dinner, dancing, the movies—for six months, then decided to marry. "We told our parents, we did not ask them." Nor did George seek Zana's father's consent. (At 18, the legal Soviet age of maturation, no parental approval is required for marriage.) The two went to ZAGS, the official marriage bureau, filled out necessary forms, and took their place on the waiting list to be wed. "Many Russians are marrying these days."

There is no formal, standard engagement period. Nor is there any delay for blood tests. Their ceremony was civil, performed by a female representative of ZAGS. No rings were exchanged. After the wedding, families of each bestowed gifts upon them, but no "shower" was proffered by Zana's friends, nor did she receive a dowry.

Neither George nor Zana had any prior education in domestic relations or sex. "We learned these things from our parents. They are not taught anywhere in the USSR."

Living in a small Leningrad flat, their evenings are spent "much as before marriage—friends visit, we tape-record foreign jazz music from the radio, we read, occasionally we eat out." Several months ago Zana was approached by a motion picture director in Odessa (again "on the street"), was offered a screen test in typical Hollywood style, and has been playing a bit part in a movie being filmed during her vacation there. She may work permanently in films, though her husband admits "she has no special training for them." George also confessed that Zana is a very bad cook. His leisure time is spent skiing near Leningrad. Zana has no hobbies.

During the school year George rises at seven, to begin classes at nine. "I don't disturb my wife. I get my own breakfast." He attends lectures until one, returns home for lunch, then back to college until three.

Because George is a capable student (his grades are 5s and 4s—As and Bs), he receives a monthly "stipendium" from the state. Pupils whose marks fall to three (C) or lower receive no monetary aid. His stipendium is 520 rubles ($130) monthly, which is augmented by 300 to 400 rubles given to the couple each month by their parents. From this average income of 850 rubles ($212), they spend 57 for rent (which includes light, water, heat, cooking gas, and radio); 60 rubles for transportation; 450 for food (at home

Continued on page 30

A Big Strapping Company

By IRA U. COBLEIGH

Enterprise Economist

Containing some reflections, by no means adverse, upon a major manufacturer and merchandiser of steel strapping for the packaging, handling or shipping of merchandise—Signode Steel Strapping Co.

A standard phrase in advertising these days is "the big economy package." It usually refers to an extra big, or jumbo, box of soap chips or cereal; or an outsize magnum of mouthwash, hair tonic, ammonia, or detergent. We propose today, however, to enlarge the reference; and to relate the phrase not to the consumer unit, but to the boxes, containers and crates which house the consumer units and are increasingly bound or strapped together for shipment and wholesale delivery.

Ira U. Cobleigh

Essentially this is just another phase of automation. We have a myriad of automatic and assembly line production processes, developed to reduce costs by the saving or elimination of human labor; and maximum efficiency suggests that we apply similar techniques to packaging and shipping. And in this phase of automation, the steel strap is highly functional, and its application is growing by leaps and bounds. Whether you're going to prepare a shipping container for a few hundred pounds of printing paper, a hundred wrenches, or tractor for export, the swift machine-done strapping of the box or crate with steel tape is a great cost saver and insures the shipment against battering or damage from the jolts of transit or rough handling.

One of the major suppliers of this steel strapping is the company chosen for today's review—**Signode.** It's not particularly well known; in fact people not connected with the shipping or transportation area of business activity might never have heard of it. With the listing of **Signode Steel Strapping Company** common on the New York Stock Exchange in 1955, however, and the unusual rate of expansion of the sales and earning power of this enterprise, Signode is rapidly gaining both recognition and prestige.

The Signode story really starts back in 1913 when its predecessor, Consolidated Steel Strapping Co., made steel tape principally for baling cotton. In 1928, Signode Steel Strapping Co. was formed to take over Consolidated. As it went along, Signode developed new ideas, wire tying machines for bundling newspapers, straps for printing paper; and, in due course, automatic strapping machines which not only fasten the straps firmly at high tension, but secures them by a seal (which can be imprinted with a trade mark or other advertising). The basic company product is the steel strapping itself, and Signode rolls over 60% of its own requirements, buying the rest from some of the major steel companies. Signode also makes and sells the fastening seals; and it manufactures the packaging and strapping machines to apply steel tape or wire. Somewhat like U. S. Shoe Machinery, Signode's policy is to lease, rather than to sell, this application machinery. In 1946, Signode perfected an expendable door for freight cars (Kraft paper in two sheets, reinforced by straps) most useful for bulk railway shipments, especially grain.

Signode has five plants in the United States, the two principal ones being in Chicago, plus a plant in England. Labor relations have been remarkably good, with never a strike, a program of promotion from within; and a profit sharing incentive plan. About 25% of the common is reportedly owned by company personnel. Top management is a father and son team with John W. Leslie as Board Chairman, and John H. Leslie, President.

The progress of Signode is in the best tradition of growth companies with sales rising from $9,820,000 in 1946 to $42,741,000 for 1955. This year the figure is expected to cross $50 million. Equally impressive has been the rise in net from $660,000 in 1946 to $3,653,000 in 1955. Net operating profits (before depreciation) has averaged about 20% for the past six years.

For the first quarter of this year gross advanced by 24%; and a very substantial improvement in net has been projected for the full year 1956. Per share earnings which were $2.84 in 1955 are expected to reach $3.25 on the 1,249,304 shares outstanding. Ahead of the common on the balance sheet (Dec. 31, 1955) stood $3 million in debt, $2 million in customers' deposits (mostly advance payments on machinery leased) and 41,631 shares of $2.50 preferred. Current asset position at the 1955 year-end was excellent with current assets running about 3-to-1 over current liabilities. Strongly maintained cash position plus substantial retention of earnings have permitted Signode to finance expansion mainly from internal sources.

The sustained growth of Signode, interrupted only in 1952 (when there was a prolonged steel strike), is importantly due to the company's devotion to first rate research, and the development and engineering design and service of packaging equipment tailored to customer needs. Whole production lines have been specially designed to streamline the packaging operations of clients. Another nice thing about Signode is the repeat nature of its business. Like Gillette Razor, this company has continuous replacement of essential and low cost products.

Now Signode does not have this field all to itself, although it is the largest independent. Its principal competitors are *Acme Steel Company*, a larger and more integrated company with big sales not only in strapping but a broad line of steel specialties as well; and the Girard division of *U. S. Steel.* There appears to be room for all in this expanding field, although Signode seems to have the competitive edge due perhaps to its more single-minded devotion to strapping and new uses for same.

Signode is a world-wide operation with subsidiaries in England, Germany, Belgium, Holland, Brazil and Canada; and it distributes in 56 countries abroad.

It would be difficult to expand sales and earning power as effectively as Signode has done without an orderly program of plant expansion. Since 1946 the company has spent $10 million on new plant and equipment account; and this year a $2½ million plant at Wenton, West Virginia, has been under construction substantially to enlarge strapping facilities. Since Signode earns about 17% on its invested capital, such addition to plant would suggest a substantial addition to net earnings from this source alone, next year.

The whole trend in packaging and transport today is toward larger units. The five-ton truck has been supplanted by the15-ton trailer; the T2 tanker, by the 60,000 barrel super tanker; the twin engined transport, by multi-engined, or turbo prop, craft carrying four times the load—and so it goes. In packaging, more and more are small units being strapped together for easier handling, lower labor costs, more efficient use of cubic space, and better protection of cargo in transit or storage. This large unit package trend is all in favor of Signode. Signode is a sturdy company today, and its common stock, now selling at $31½ with a regular dividend of $1 (which could easily be increased) plus 3% in stock this year, is an unusual equity with an interesting future.

Lazard Freres to Admit Two to Partnership

Lazard Freres & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, on January 1st will admit George J. Ames and Walter Fried to partnership in the firm.

Mitchum, Jones to Admit New Partners

LOS ANGELES, Calif. — On January 2nd James W. Lewis and Lester W. Taylor will be admitted to partnership in Mitchum, Jones & Templeton, 650 South Spring Street, members of the New York and Los Angeles Stock Exchanges. On the same date Edward C. Sterling, general partner will become a limited partner in the firm.

Joins W. D. Gradison

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Leon Pastor has joined the staff of W. D. Gradison & Co., Dixie Terminal Building, members of the New York and Cincinnati Stock Exchanges.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Robert O. Buse has become connected with Merrill Lynch, Pierce, Fenner & Beane, Dixie Terminal Building. He was previously with Westheimer and Company.

Christmas and God's Children

By ALEXANDER WILSON*

The other day, two young lady Lithuanian refugees, Mary 11, and Theresa 7, confided to me that they do not believe in Santa Claus and that their "grown-ups" do not "make believe" anymore. How sad it is when two adolescents shut their minds to one of the most beautiful sentiments in the world!

The writer told the girls, that at 77, he still believes in Santa Claus and Santa's beneficence and prays that the world will long be blessed with harmless fairy tales, youthful dreams and the childlike vision of Santa Claus' personality even if they are considered imaginary myths by some materialistic folk.

As explained to these little girl sophisticates, the older the writer becomes the stronger his conviction is that we live in the midst of a *make-believe* world, a *make-believe* civilization, a *make-believe* peace and a *make-believe* existence.

In fact, life and living of this make-believe existence would be a dour experience indeed if man was bereft of his God-given *imagination*. For *imagination*, in the writer's opinion, provides the colors in life's rainbow and in all our activities and thoughts which give our otherwise prosaic existence on this earth vivid interest, excitement, satisfaction and worth-while objective.

True, to some people who have not been blessed with much *imagination*, Santa Claus may be only a myth and not a flesh-and-blood personage. But who will deny that the jolly old gentleman is one of the most delightful personalities ever conceived in the minds and hearts of children, little and big?

Who is there that is not witness to the fact that Santa's mystical presence and kindly actions have never seared the soul of a single child, but that Santa has bestowed his jollity and goodness in the breast of every Mother, Father and Child who would just *make believe?*

I am persuaded that everybody who yields allegiance to the beautiful Santa Claus myth is a thousand times better off and happier with his dreams, air castles, fancies, and the imaginings of the young in heart than those poor lost souls who cling to their materialistic realities.

For without *imagination*—fairy tales, romance, love, wedded bliss and poetic instincts—this old drab and prosaic world would be poor indeed.

It takes *imagination* to penetrate the mysteries of nature, the skies, the constellations and the innermost secrets of the earth. Yes, it is man's *imagination* which has built empires and nations, and implanted the spirit of freedom in our own beloved United States of America. It is *imagination* which has created the great paintings, written the great plays, books and operas, and given voice to the sublime spirit of poesy. And it is through *imagination* that man has explored the unknown and wrested from nature the secrets which have made possible the wonders of modern mechanical progress. *Imagination* may truthfully be said to be responsible in large part for man's most notable achievements in all departments of life.

If *imagination* is as positive a force and inspiration in our lives as I have described, then there is nothing more real and vital in the lives of little children, yesterday, today and tomorrow than Santa Claus, and there is nothing more real than the millions of loving fathers and mothers who are veritable Santas to their loved ones all the year round.

Anyone—everyone—who makes one of God's children happier with a smile, a kiss, a caress of love, or who shares friendship and human kindness with a distressed and deserving stranger, is a Santa Claus in fact as well as in fancy.

Yes, Mary—Yes, Theresa—there is a Santa Claus who lives in the minds and hearts of all mankind and who is the living personification of all good and perfect things: kind, generous and loving!

To rich and poor, young and old, who are imbued with the Christmas Spirit, the visionary Santa Claus of our dreams is as real, true and personal as was Jesus, when He uttered these memorable words: "Suffer little children to come unto me, and forbid them not, for such is the Kingdom of Heaven."

*Member of The "Chronicle's" Editorial Department.

The State of Trade and Industry

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

The trend of total industrial production for the country as a whole in the period ended on Wednesday of last week reflected a moderate increase with output well above the level of the similar week last year.

While production in the automotive, steel, petroleum and lumber industries showed noticeable expansion, mild declines took place in the output of coal and electric power.

In the construction, food processing and textile industries increased unemployment was in evidence and initial claims for unemployment insurance rose 21%, exceeding those of a year ago by 8%.

In the steel industry, the pressure of rising costs is being reflected in price extra hikes by some mills on important steel products, including sheets and alloy plates. Some stainless steel base prices began moving up last week, "The Iron Age," national metalworking weekly, states this week.

Behind the breakthrough in steel prices is the growing list of steelmaking raw materials that have risen in price since the general steel price hike of last August. The latest of these raw material boosts affects nickel and ferroalloys. Higher freight rates will add fuel to the fire, this trade weekly declares.

On tonnage products, increases to date affect only those charges made by the mills for extra processing. Base prices are not affected, except for stainless steel, which involves only nickel-bearing grades.

Meanwhile, it looks as though the steel market will highball into 1957 at a near-record pace. Steel orders are running in excess of production, even though mills last week established an all-time record of 102.4% of capacity. Order carryovers into the new year will be heavy.

Demand is strong for virtually all products, but particularly plate and structurals. With sales of new cars taking hold and production problems being ironed out, automakers are beginning to take more steel. Orders for February are up over January, which in turn is better than December. Order cancellations and holdups are tapering off.

The mills are pushing furnaces to the limit as the year-end approaches. It looks as though production will exceed 115,000,000 tons despite the 34-day strike of last summer. This is 2,000,000 tons below the all-time record set in 1955. Holiday schedules probably will cut into production slightly in the last two weeks of the month.

Scrap prices are beginning to level off. Prices dropped in at least one major area, while in others a softer tone prevailed, although prices held unchanged from last week.

Industrial production last month was the highest on record for a November, the Federal Reserve Board reported and added that output dipped less than usual from October to November.

The board said the nation's industry turned out goods last month at a rate equal to 149% of the 1947-49 average, or one percentage point below the record reached in October but four points above November last year.

Since this decline from October was less than usual for the month, the board noted that its seasonally adjusted index of production rose to a record 147%. This was one percentage point above the figure for October, the previous high and four points above the year-earlier level.

Heavy Saturday scheduling was widespread throughout the auto industry the past week, "Ward's Automotive Reports" stated on Friday last, while forecasting continued high-level production.

The statistical publication added, however, that "as the year comes to a close, it becomes increasingly evident that car and truck output will fall short of the seven million mark in 1956."

With two weeks remaining, "Ward's" noted, the industry would have to turn out 371,000 vehicles to attain the goal. Christmas holidays in the next week stand in the way of such a count, even though production this month has been averaging between 190,000 and 195,000 units weekly. Last year, 9,188,574 cars and trucks were built.

"Ward's" production estimate last week is 166,219 cars and 23,933 trucks compared with 167,576 and 24,091 the week before.

Saturday operations were ordered last week by every car maker except Lincoln and Studebaker. American Motors announced "overtime" the past week for the first since the start of 1957 model output in August; assembly of Ramblers, Nashes and Hudsons will run 10 hours "several" days a week and five hours on Saturday.

"Ward's" noted that the Ford-Chevrolet rivalry for sales and production continued strong a week ago, with Ford gaining a slight edge in turning out 41,000 cars to 37,800 for Chevrolet.

Marring the production scene last week was a walkout by Fisher Body workers at Pontiac, Mich. The move forced Pontiac Division of General Motors to suspend assembly operations at its Michigan plants Wednesday because of a body shortage. The plant normally accounts for about 40% of Pontiac production.

Housing starts in November tumbled a seasonally 12% below October to the lowest level for the month since 1951, the United States Department of Labor reported.

It further reported builders started work on 79,600 private houses last month, a drop from the 90,800 started in October and the 88,400 of November a year ago. In November, 1951, 72,200 houses were started.

With seasonal factors taken into account, the report said last month's starts represented an annual rate of 1,060,000 units. This

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An Insight Into the Money Market And the N. Y. Federal Reserve

By ALFRED HAYES*
President, Federal Reserve Bank of New York

An insight into the comprehensive procedure and importance of the Federal Reserve Open Market Committee is provided by New York Reserve Bank head, who emphasizes the high degree of close contact and cooperation existing between the policy-originating Open Market Committee and the crucially located New York Reserve Board which executes their policy. Mr. Hayes explains money and capital market's key role permitting our highly developed industrial and financial system, and what the New York Reserve's Trading Desk does to keep in intimate touch with the market for the Open Market Committee's benefit.

I would like to direct my comments principally to the method of operation of the Federal Open Market Committee and the role of the Federal Reserve Bank of New York in executing the Committee's instructions. As a practicing central banker of less than five months' standing, I certainly make no claim to expertness in these matters, but it occurs to me that your Committee might like to have the views of a newcomer like myself, taking my first look at the way in which this very vital function of national monetary and credit control is handled.


Alfred Hayes

It goes without saying that the Federal Reserve Bank of New York, of which I have the privilege of being the chief executive officer, undertakes a great variety of important activities, most of which are related in some degree to the operations of the Federal Open Market Committee. I am thinking of such things as handling the reserve and borrowing accounts of the member banks, the provision of currency, the processing and crediting of checks received for collection, the expediting of wire transfers of deposit balances among banks and of Government securities among investors, the calling and disbursement of funds for the U. S. Treasury, the handling of transactions for foreign central bank and government accounts representing settlement of the United States balance of payments with other countries, and the supervision of member banks. These activities, most of which we undertake in common with the 11 other Federal Reserve Banks, have a great deal to do with the System's major responsibility of contributing to an efficient and adequate money and credit mechanism for the nation. But they are sometimes referred to as "defensive" or "passive" operations, in contrast with the three "dynamic" or "active" instruments — reserve requirements, discount rates, and open market operations — which are employed in our efforts to minimize both inflation and deflation and to facilitate sturdy economic growth.

To discuss the Federal Open Market Committee's activities without referring to all three of these instruments would be quite misleading. For while it is true that the Board of Governors alone has the responsibility for determining reserve requirements, and while discount rates are established by the individual Reserve Banks—subject to review and determination by the Board of Governors — in practice the Federal Open Market Committee has become the principal forum in which these two instruments, as well as that of open market operations, are discussed and weighed by representatives of the entire System in arriving at a System-wide consensus as to what should be done at any given time in the field of general credit control. The emergence of the Federal Open Market Committee as the meeting place where representatives of all parts of the System's complex structure can be brought together, for joint discussion of interrelated responsibilities, is one of the most interesting, and also probably one of the most constructive developments in Federal Reserve history.

Meetings of the Federal Open Market Committee are generally held every two or three weeks in Washington, so that I have been privileged to attend some six or seven times since a became associated with the New York Reserve Bank. As you know, the Committee consists of 12 members, including the seven members of the Board of Governors and five of the Reserve Bank Presidents. The President of the New York Reserve Bank is continuously a member, while the other four Presidents are appointed in rotation. The 12 members of the Committee, which was established by statute, sit and reach decisions as responsible individuals, not as representatives of any constituency. Each must find the answer, in the light of all the facts and his own conscience, to the question "What policy of credit control would be the best policy under present conditions for the economy of the United States?" Naturally each member brings to the Committee the full benefit of any special information available to him, including—in the case of the Reserve Bank Presidents — information concerning economic conditions in the various districts and the views concerning them held by businessmen and others; but each member also gives careful consideration to nationwide conditions and makes his final judgment on that basis.

The seven Presidents who are not, at the time, members of the Federal Open Market Committee

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*Testimony by Mr. Hayes before Subcommittee on Economic Stabilization of the Joint Committee on the Economic Report, Washington, D. C., Dec. 11, 1956.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Letter (No. 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.

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

Business Outlook for 1957—Report—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Canadian Financial Facts and Comment—Circular—Gardiner, Annett Limited, 355 Bay Street, Toronto 1, Ont., Canada.

Income Bonds—Tax Status—Bulletin—Vilas & Hickey, 26 Broadway, New York 4, N. Y.

International Oil Shares—Bulletin—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

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

Natural Gas in Canada—Review in current issue of "Gleanings" —Francis I. duPont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a discussion of **Union Pacific Railroad Co.** and two selected lists of **Convertible Bonds** and **Convertible Preferred Stocks.**

1957 Chessie Calendar — On request — Chesapeake and Ohio Railway, 3809 Terminal Tower, Cleveland 1, Ohio.

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

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

Rails—Bulletin—Bache & Co, 36 Wall Street, New York 5, N. Y. Also available are bulletins on **American Steel Foundries, Pittsburgh Metallurgical** and **National Malleable & Steel Castings.**

Sulphur—Review with particular reference to **Pan American Sulphur Company**—C. V. Converse & Company, Commonwealth Building, Allentown, Pa.

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

Atlantic Refining Co.—Memorandum—Auchincloss, Parker & Redpath, 729 Fifteenth Street, Northwest, Washington 5, D. C. Also available is a memorandum on **Storer Broadcasting Co.**

Bahamas Helicopters Limited—Analysis—Blair & Co., Incorporated, 44 Wall Street, New York 5, N. Y.

Bristol-Myers Company—Report—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of **Union Oil Company of California.**

Bucyrus Erie Company—Analysis—Seligman, Lubetkin & Co., 30 Pine Street, New York 5, N. Y.

Canada Iron Foundries—Analysis—McLeod, Young, Weir & Company, Ltd., 50 King Street West, Toronto, Ont., Canada.

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

Clayton Mark & Co.—Memorandum—Dominick & Dominick, 14 Wall Street, New York 5, N. Y.

Crossett Company — Analysis — La Salle Securities Co., 208 South La Salle Street, Chicago 4, Ill.

Fifth Avenue Coach Lines, Inc.—Study—McLaughlin, Cryan & Co., 1 Wall Street, New York 5, N. Y.

Gulf Coast Leaseholds, Inc.—Card memorandum—Leason & Co., Inc., 39 South La Salle Street, Chicago 3, Ill.

Joy Manufacturing Company—Bulletin—Georgeson & Co., 52 Wall Street, New York 5, N. Y.

Knox Corporation—Analysis—Unlisted Trading Dept., Rm. 707, Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Lundberg Explorations, Ltd.—Analysis—L. H. Rothchild & Co., 52 Wall Street, New York 5, N. Y. Also available are analyses of **North American Refractories Company** and **Washington Steel Corporation.**

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

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NSTA Notes

BOND CLUB OF DENVER

The Bond Club of Denver has elected the following new officers for 1957:

Orville C. Neely

Robert M. Kirchner

Harry E. Hunt

President: Orville Neely, Merrill Lynch, Pierce, Fenner & Beane.
Vice-President: Robert M. Kirchner, Kirchner, Ormsbee & Wiesner, Inc.
Secretary: Leon Lascor, J. K. Mullen Investment Company.
Treasurer: Harry Hunt, Founders Mutual Depositor Corp.
Directors: Howard Carrill, Carrill & Co.; William Garrison, Denver, National Bank; William Sweet, Peters, Writer & Christensen, Inc., and C. Eaton Smith.

BALTIMORE SECURITY TRADERS ASSOCIATION

At the Annual Business Meeting of the Baltimore Security Traders Association the following officers were elected for the year starting January 1st, 1957:

Charles A. Bodie

Bernard E. Eberwein

President: Charles A. Bodie, Jr., Stein Bros. & Boyce.
Vice-President: Bernard E. Eberwein, Alex. Brown & Sons.
Secretary: Henry J. Krug, Jr., Mercantile-Safe Deposit & Trust Co.
Treasurer: Charles A. Nugent, John C. Legg & Company.
Board of Governors (Three-year term expiring 1960): Joseph G. Strohmer, John C. Legg & Co.; John J. Wallace, Baker, Watts & Co.

CORRECTION

In the Financial Chronicle of Dec. 13, in reporting the election of officers of the Security Traders

John F. McLaughlin

John J. McLaughlin

Association of New York the photograph of John J. McLaughlin of Burton, Dana & Co. was inserted instead of the photograph of John F. McLaughlin of McLaughlin, Cryan & Co. John F. McLaughlin of McLaughlin-Cryan is the newly elected First Vice-President of STANY.

Hofmann Named V. P. Of Blue Ridge Fund

The election of Raymond W. Hofmann as a Vice-President of Blue Ridge Mutual Fund, Inc., has been announced by the Board of Directors of the Fund.

Mr. Hofmann has been Secretary and Treasurer of the Fund since 1951 and will continue to serve in those capacities.

Firm Name to be J. N. Russell & Co.

CLEVELAND, Ohio—Effective January 2nd, the firm name of Gottron, Russell & Co., Inc., Union Commerce Building, members of the New York and Midwest Stock Exchanges, will be changed to J. N. Russell & Co., Inc.

Joins Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — William K. Wamelink is now with Paine, Webber, Jackson & Curtis, Union Commerce Building.

Ross, Borton Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Ezra H. Garlock is now connected with Ross, Borton & Co., Inc., The 1010 Euclid Building.

With Campbell, Robbins

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Walter J. Kerry is now with Campbell & Robbins, Incorporated, U. S. National Bank Building.

Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—Charles W. Keller has become connected with Walston & Co., Inc., 901 Southwest Washington Street.

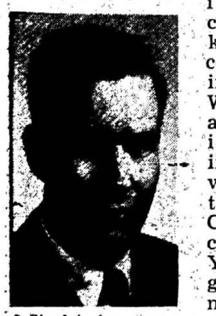
Mutual Questions Concerning Investment Banking and SEC

By J. SINCLAIR ARMSTRONG*

Chairman, Securities and Exchange Commission

SEC head pinpoints investment bankers' function, and explains how the Commission can be helpful in regaining people's confidence in securities as a medium for the investment of their savings. In answering questions, after soliciting support against "boiler room" operations, fraud, manipulation and unfair advantage, Chairman Armstrong discusses: stopping insiders and SEC proxy rules; status of variable annuities as securities; short form prospectus; regulation of municipal field, and acceleration policy. Forecasts rise in corporate security financing and capital outlays in first quarter of 1957.

The City of New York has long been known as the capital market of the United States, the chief capital market. There are other important capital markets in this country today, in the Middle West, Chicago and developing markets in the Southwest and on the West Coast, but certainly New York is the great capital market and assumes increasing importance as the country develops and our industrial system expands, and grows and continues the most extraordinary technological and industrial advances that our modern civilization has ever witnessed.



J. Sinclair Armstrong

I think it is important for all who are in the investment banking business to have a sense of direction. I think it is a good idea to know where you are going and I think it is extremely important for the investment banking business to be aware of its importance, its vital importance to the free enterprise industrial system.

I think the recognition of the tremendous importance of the work of the Commission to the capital markets is one of the hallmarks of a recognition of the maturity of the Commission as one of the great government regulatory agencies. It also is an indication of a modern and mature approach by the investment banking business itself to its own problems.

Certainly it was an interesting experience for me when, as a new member of the Commission in the fall and winter of 1953 and 1954 to hear the Chairman of the Investment Bankers Association of America, Mr. Bryce, stand up before Congressional Committees and testify to the current-day acceptance of the Federal Securities Laws by the investment banking business and the recognition which investment bankers themselves give to the importance of the work of the agency, the importance of the Federal Securities Laws to the proper functioning of the capital markets.

Investment Banking's Job

I would like to discuss not in a technical way but perhaps in a broader conceptual way, if you will, about what it is that the investment banking business has got to do and how it is that the Securities and Exchange Commission can be helpful. Your job in investment banking is to attract the savings of the American people into the securities of American industrial corporations, also into other types of investments such as municipals and school bonds and all of the revenue bonds and the obligations of public authorities which are so important to the development of the economy.

*An address, including questions and answers, by Mr. Armstrong before the Investment Association of New York, Dec. 5, 1956.

Capital funds are short. The shortage of capital funds is a phenomenon that exists the world over. Perhaps relatively speaking, capital funds are less short in the United States which traditionally has been very interested in sound investment and in the development of capital, but it certainly is a very difficult task to attract the savings into equity capital and that is your job.

Obviously it has got to be done; if the projections for the industrial expansion of America that we presently have are right, the job has got to be done in ever increasing amounts. Just to give you an indication of the present-day problem and opportunity, the net increase in corporate securities outstanding on an annual basis three years ago was something over $6 billion; two years ago, approximately seven; a little over seven last year, and it is estimated for this year that we may run up over the $8 billion figure. That is a net increase reflecting net sales less retirements of the corporate securities outstanding.

What is that used for? Obviously it is used for the enormous industrial expansion that is going on and must continue to go on.

We were looking at figures today in our office in Washington which will be released on Friday of the projected capital outlays of American business in the first quarter of 1957. The figures have been running at an annual rate, quarterly, 36 billion, inching up, 36½, up to 37, and the reports which we and the Department of Commerce received from about 1,200 American business enterprises that give us their estimates in advance, indicate that this will be moving ahead at a higher rate in the first quarter of next year. If those capital outlays are going to be made, obviously the savings of the American people must be attracted into the securities market.

People's Confidence in the Market

When the Securities and Exchange Commission was established in 1934, the confidence of the American people in the market had been virtually killed. The markets were moribund, values on stock exchanges had decreased drastically. The American people had lost about a half of the money which had been invested in corporate securities in the decade of the 'Twenties and it was touch and go as to whether the capital markets were going to be able to function in a free enterprise economy.

The purpose of the laws which the Commission administers, generally speaking, is to give the public investor a fair position in the market. I am sure you are all familiar with many of the detailed provisions and that is why I mentioned a minute ago that I would rather get you thinking about some of the broader principles.

The principle there is that if the American investor is given a fair opportunity to invest in free, open and orderly markets, if full disclosure of the pertinent business and financial facts of corporations whose securities are being offered to the investing public are made available to the investing public, then the investing public will make up its own mind as to the securities it wants to buy, and hopefully, it will be the intention that the American public would again establish a confidence in the market as a medium for the investment of savings. Certainly, the work of the Securities and Exchange Commission over the years has contributed to the tremendous restoration of confidence in the markets.

Where does the Securities and Exchange Commission come into it so far as investment bankers are concerned, so far as the banking community is concerned? Several weeks ago I was privileged to attend here in New York a function of the Financial Writers and they did a show which reminded me of, if you will forgive me, the "Hasty Pudding Show," when I was somewhat younger than I now am. One of the skits in the show had to do with some of the temples of finance, and outside one of the temples of finance was a gentleman in blue carrying a big stick, introduced as "New York's Finest," and he was the cop on the beat, the SEC.

Policing A Market

We had a very, very difficult problem at the SEC in being the cop on the beat in the past several years. For one thing when you are policing a market, the activity in which is double or triple the activity at the time when the Commission was established and when the number of policemen on the police force is less than half the number of policemen that you had when the amount of activity was very much smaller, you are obviously going to have a more difficult job enforcing the law. So you have to have from time to time more cops. It is that simple.

We have a staff today which has been increased from about 665 people located in offices throughout the country—we have over a hundred of them who are in New York—to about eight hundred in the past year and a half in recognition of the importance of that policing job.

What am I talking about when I say "policing?" I would hope that the things that I am talking about are not things that you investment bankers are concerned with. I am perfectly confident in my own mind that they are not the type of thing that you are particularly engaged in. I have seen a large number of my own personal acquaintances here and never heard of anyone of them being involved in "boiler room" operations.

You have been reading in the newspapers something about "boiler rooms," a very serious problem in which the American people are taking quite a licking. What is a "boiler room?"

"Boiler Room" Operations

A "boiler room" is a broker-dealer firm. And there are no legal restrictions upon a person becoming registered as a broker-dealer unless the Securities and Exchange Commission is able to establish that he has heretofore been convicted of a crime which involved some securities transaction. Anybody can become a registered broker-dealer and if he has got some money behind him—and these "boiler room" operators do—you can hire a nice-looking front office, but then get yourself a loft up in the cotton district or somewhere not on Wall Street, and you can line up a bunch of good-looking guys with records as long as your arm, and give them a battery of telephones and hoods that they can pull up like an inverse roll-top for a roll-top desk so when the pressure gets hot, the person on the other end of the telephone doesn't hear the background clatter and the noise that is going on in the room, and you can sell securities by misrepresentation and fraud all over the United States. The telephone bills are enormous.

What is involved? What sort of misrepresentation and fraud? It is a very simple operation. You get a hold of a list from somebody, maybe from a funeral directors' association, so that you can write to widows who have some money left over from the estates of decedents or it may be professional directories, lawyers and that sort of thing, accountants and whatnot. There are other sorts of lists. As a matter of fact, we ran into a man who himself, because he had gotten it, was a rather merchantable item. He simply stole a stockholders' list of a corporation. That was the list that he was using.

Well, what sort of misrepresentation? It is a very subtle thing. You send out some literature in the mail that indicates that a stock is going to go up. It is selling at two and a half and is going to be about three by Christmas and next Fourth of July it will be six. Then after you send the literature out, three or four days later you start calling up on the phone and these fellows at the desk will have three minute egg-timers such as you use when you are cooking an egg for breakfast, and if the sucker isn't on the line at the end of the three minutes, you don't waste any more long-distance time on him. You call up somebody else and you give him a real sales pitch.

The Public's Impression

One of the worst features of the "boiler room" is that the initial sales pitch doesn't necessarily produce the total results. You may sell a hundred shares, but two or three weeks later if you have been successful in moving the stock up in the sheets or occasionaly it may be a listed stock, if you can get transactions to occur in it whereby the stock goes up a little, you can call up the same person to whom you sold a hundred shares and then reload them with a thousand or twenty-five-hundred. And the amounts of money that have been taken are simply enormous. The results have been very adverse to the investing public.

Obviously, if the American Investing Public gets the impression that that is the type of thing that is typical of the capital market, and particularly the New York capital markets, it is going to have a very adverse result. It is going to diminish, if not knock on the head, the confidence that the American people have in securities as a medium for the investment of their savings.

Gathering Evidence

What do we of the Commission do about it? In the first place, we have run a considerably increased number of investigations. We have run a considerably increased number of inspections. Our policy is to have an immediate inspection of each new broker-dealer that registers. Again, I might mention that the volume is up. There were about four-thousand registered broker-dealers in this country three years ago. Today there are over forty-six-hundred, and the rate is still on the rise. In addition we are using administrative proceedings looking toward revocation of brokers who are engaging in that type of business, and legal proceedings in the Federal Courts for injunction of violations of the Exchange Act and the Securities Act that may be involved.

Continued on page 34

Majority of Forum Economists Expects Tighter Money and Credit

Views expressed at Economic Forum on interest rates and monetary policy sponsored by National Industrial Conference Board

A further tightening in money and credit is seen by a majority of the 16 distinguished economists participating in a recent session of


Murray Shields


John S. Sinclair

the Economic Forum held under the sponsorship of the National Industrial Conference Board.

Only one of the Forum authorities felt that the present money market is too tight. Three, in fact, said it isn't tight enough. A few expect some relaxing in second quarter 1957, they foresee a lessening in the demand for some types of capital.

The consensus was that despite tight money, credit extension in the past year has been extremely liberal. Viewing longer-range prospects, participating economists stressed that expanded investment requirements in the future will have to come out of a higher rate of national savings if we are to hold back inflationary pressures.

The Economic Forum was under the Chairmanship of Murray Shields, Trustee, The Conference Board and Partner, MacKay-Shields Associates. In commenting on the session, Mr. Shields said that it provides a means of discussing "a problem which is probably the most important and perplexing one which the nation faces today." He noted: "In the past year, and even more so in the past month or two, the businessman has almost daily come face-to-face with the full-blown efforts of our monetary authorities to influence his activity. Today such matters are the Number 1 problem in many lines of activity. I sense that our business community is acutely interested primarily in, 'Where do we go from here?'"

Also present at the session was John S. Sinclair, President, National Industrial Conference Board.

The following are the highlights of the remarks made by the guests and Forum member participants:

DONALD B. WOODWARD

Chairman Finance Committee, Vick Chemical Company

"I expect money to remain tight at something like the present levels for an indefinite time ahead." He further expects "the demand for funds from business capital outlays and construction to remain not far from the present level, perhaps a little higher, and the demand for consumer credit to rise. On the supply side we are increasing the amount of depreciation funds that become


Donald B. Woodward

available every year. I would also expect that higher interest rates would encourage at least some increase in some kinds of savings and perhaps in total savings.

"My only concern is that the present competition of high money rates in the bond and tax-exempt markets does constitute a depressant to the stock market . . . just at a time when stocks had reached a point where business could finance itself by floating stock issues instead of continued heavy reliance on debt. It seems to me it would be unfortunate if we went through a fairly prolonged period of high financing activity in which corporations had to use debt as their chief instrument."

GEORGE S. ECCLES

President, First Security Corp., and First Security Bank of Utah, N. A.

"The type of credit that banks are going to extend will have to be restricted to the current type of loan and not the so-called capital loan. Banks have gone just about as far as they can in handling term financing . . . I do not think that by the end of 1956 and 1957, under the present monetary program, we are going to be able to see bank credits increase as rapidly as we have seen them in the last 12 to 18-month period.


George S. Eccles

"Banks are reaching a point where they can't supply the amount of funds necessary, unless they are willing to change their whole method of thinking about liquidity and accept a 75% loan deposit ratio. I don't think you are going to see that." Mr. Eccles did believe, however, that while borrowers are being turned down in the money centers, they are not exploring sufficiently the possibilities in banks in other locations where loanable funds are still available.

SOLOMON FABRICANT

Director of Research, National Bureau of Economic Research; Professor of Economics, New York University

"I think the fundamental problem can be put as follows; Businessmen are worried because they can't improve their business as much as they would like. They want to build more factories, get more inventories, extend more credit to their customers. Some particular groups in the economy, such as in the housing market, feel that they can't even maintain their current rate of business, and they are concerned on that account. But second and more important, I think people are worried about the future, about what will happen in succeeding months, next year, the year after. These are our two problems.


Dr. S. Fabricant

"In an economy which is growing . . . you have an expanding volume of goods. This necessarily means that we have got to have an increase in the supply of money to handle the transactions involved in producing, moving, and selling those goods. . . . To keep output going up at the rate we would like to see it going up requires some modest expansion in the money supply. I think that very serious consideration should be given to [this] by those in authority. We don't want inflation, of course. This means we can't afford to ease credit to the point where all demands are satisfied. But we don't want deflation either."

AUDREY G. LANSTON

President, Aubrey G. Lanston & Co., Inc., New York City

The current problem, according to Mr. Lanston, might not be a question so much of the need for the Federal Reserve to provide more reserves to the banking system as to take measures to increase the liquidity of the system—to decrease the proportion of risk assets to total liabilities—and thereby provide the base for more bank credit.


Aubrey G. Lanston

"The situation with respect to the availability of credit may no longer depend on whether Reserve credit is available; it may be more and more a matter of lendable deposits. If you want to assume that the plant and equipment program will proceed apace, and that we will need about the same amount of total credit that we have been using, then . . . you will not be able to get it from the banks. At least, that may be the situation unless the Treasury's budget is unbalanced. . . . It looks as though banks may have to further increase the proportion of risk assets to total liabilities and further decrease their liquidity just to hold their deposits steady."

Mr. Lanston believes that if commercial banks were permitted to compete with the yields available for alternative uses of funds, possibly by paying interest on certain types of deposits, the "chances would be good" that part of the $30 billion to $40 billion he estimates is now held in money market investments other than bank deposits would be transferred to bank deposits. "Banks generally would still be faced with the problem of an increasing risk asset to capital ratio, but the problems of decreasing liquidity and of increasing risk asset to deposit ratios would be somewhat reduced."

GEORGE P. HITCHINGS

Manager Economic Analysis Dept., Ford Motor Company

"Whether or not money is too tight depends on whether sustainable growth in the economy is being restricted. . . . I do not believe that growth has been held down unduly in terms of the total economy. Business activity in the aggregate is continuing to grow. In the past year we have been through a period of hesitation, but not primarily because of a tight money policy. . . .


Geo. P. Hitchings

"There will be a delicate balance between the supply and demand for funds [in the near future]. We are not likely to be faced indefinitely with the current tremendous demand for funds. The capital expenditure program is likely to be at a peak rate in the first half of 1957 in physical volume." He believes, therefore, that tight money will continue, with some easing to be expected later on in 1957.

". . . The question of whether credit policy should be used at the present time to prevent price increases is highly debatable. Current price increases are not the type that stem from a demand inflation. . . . I am not sure that monetary and credit policies could or should be used to prevent a cost-type inflation, which is what we are getting at the present time. . . . When prices increase, so do business needs for working capital. If you prevent business from financing that working capital, then you are going to induce some decline in production.

"To deny credit for legitimate needs could result in lower production and employment. The purpose of credit restraints, in my opinion, is to restrict excess demand relative to supply. It is questionable whether these restraints should be used to reduce demand for goods and services below their available supply."

JAMES J. O'LEARY

Director of Investment Research, Life Insurance Associates of America

"The present tightness in the money situation is having a rather serious effect, and will continue to have a serious effect on residential construction. . . . Institutional funds have shifted away from . . . the FHA and VA mortgage market where rates are rigidly fixed . . . mainly into higher-yielding corporate securities where rates have been responsive to market forces.


Dr. James J. O'Leary

"Generally speaking, residential mortgage money is still readily available for conventionally financed housing and for commercial and industrial projects. There isn't any doubt, however, that next spring the FHA and VA type of financing, and housing production in that area, is going to fall off sharply on the basis of what is happening to new commitments today. . . . We are going to experience a rather sharp decline in housing financed with FHA and VA mortgages.

". . . If we yield to pressures for an inflationary increase in the money supply, then aren't we in a fundamental dilemma of taking steps that are pretty well calculated to discourage a lot of the savings on which we are now depending?"

At present, he said, we have the "tightest situation anybody has ever seen for institutional investors, not only insurance companies but savings banks and others. They are extremely tight on long-term commitments. Accordingly, with [the present] backlog of commitments, and with the continuing heavy demand for funds by corporations and state and local governments, I can't see any easing in the near future."

A. D. H. KAPLAN

The Brookings Institution

"Small businessmen who use bank credit more or less regularly are generally getting their seasonal and other short-term loans for working capital at about the levels they have had before. But when it comes to increases—to meet increased costs of labor and materials, or to obtain new equipment—the general tightening of credit points up the position of the small businessman as the marginal man.


A. D. H. Kaplan

"It is apparent, however, that in most communities the term of loans to small business is being shortened, and that new loans for growth have been curtailed. . . . In the banker's efforts to look with a more careful eye upon loan requests in the face of heavy strain on his money supply, the type of loan that the bank is least willing to give the small business is the type that is wanted for growth rather than mere carrying on of year-to-year routine. Yet this is a time when the small business, particulary the manufacturer, has urgent need to replace outworn facilities with more efficient equipment, if he is to keep up with the pace set by the larger business units."

IRA T. ELLIS

Economist, E. I. du Pont de Nemours & Company

"It is not correct to say that if we do not increase bank credit we may have a recession. Restraining bank credit may restrain growth, but it can hardly produce a decline. Our rate of saving is rising. Our rate of investment, therefore, even without additional bank credit, is also rising. I do not think the continuation of present minority conditions will touch off a recession.


Ira T. Ellis

". . . The cause of tight money is that some of the economic mistakes we have made in the last 25 years are coming back to haunt us. We have encouraged people to borrow too much money, specifically in the housing market. We have encouraged people to get away from the conventional mortgage and get into an FHA or VA mortgage. Finally we get to the ultimate, of course, of nothing down and 30 years to pay.

"Terms like that certainly absorb borrowed money in a hurry. We are saving at a very rapid rate in this country, but we have just overdone the use of our savings. If savings were confined to the purposes for which they should be used, we would have enough."

ALEXANDER SACHS

Economic Advisor and Industrial Consultant

"[The situation] has not been credit tightness but credit expansion that has come up against resource limitations. . . . For having successfully fostered economic expansion without marked inflation and having come up against these resource limitations, it would be self-defeating to relax the restraints that have kept the economy in balance.

"Attainment [of a condition of full use] of material and human resources means that growth needs have to be assimilated. And such assimilation . . . should not be misconceived as reversal or even lack of growth on account of some statistical semantics, uprooted from vital realities, that equates it with mechanical uniformity of even high percentages."

GLENN G. MUNN
Consulting Economist, Paine, Webber, Jackson & Curtis, New York City

"Tight money rates in themselves . . . will not touch off a recession. There is something much more likely to touch off a recession. . . .


Glenn G. Munn

I think the American industrialist is going overboard in creating too much capacity, more capacity than is needed at this stage. He is creating end-products too fast to be sold without terrific competition, and at consequent lowered profit margins. He tends to assume the consumer demands of 1955 and 1956, driven on by excessive borrowing, are normal and will continue. This is highly questionable.

"The corporation executive is primarily striving to lower production costs through adopting the most efficient techniques, e.g., automation, and secondarily to increase capacity. He is trying to beat wage increases by means of greater productivity per manhour.

"If one company in a given line does this, then everybody else has to follow suit. Whether the capacity is going to be profitable or not, he has to go do it in order to insure survivial two or three years from now. Otherwise his lowercost competitors will force him out of the market."

BRADFORD B. SMITH
Economist, U. S. Steel Corporation

"Money is not too tight because we still have rising prices. We still have basic inflation in the wage structure, and other costs.


Bradford B. Smith

We still have full employment. We still have a desire to borrow money and buy for inventory for speculative reasons, hoping that a higher price later on will bail us out.

". . . The basic financial business situation today is that bank credit is being used for capital purposes. It is being used to finance business in a permanent way in such a fashion that it is leading to a gradual freezing of the banks. And it is evidencing a deep underlying problem of our economy, namely, that real savings are not keeping up with the desire to spend or invest them.

"Things should be done which will increase savings. Exactly the wrong medicine at the present time would be a return to easier money. . . . Money [will] remain tight until there is evidence that there has been some encouragement to savings and that the . . . abuse of bank credit for capital purposes has certainly slowed down somewhat."

O. GLENN SAXON
Professor of Economics, Yale University

"I think money is not too tight. Money has been starved for 20 years through artificially maintained low interest rates. We financed World War II at 2%.


Dr. O. Glenn Saxon

We paid as high as 4¾% in World War I. We are paying the penalty for low interest rates today.

"So far as inflation is concerned, I do not think we can further expand the money supply without inflating to a degree that would threaten to destroy the currency as it has been destroyed abroad. Even more, we would be inflating at a time when the world is going toward deflation on the basic essential raw materials.

". . . We are going to have tighter money and I welcome it. The more of it we have, the more savings we will have and the sooner we will get out of the tight situation, provided we assure the country that we are not going to inflate."

EDWIN B. GEORGE
Economist, Dunn & Bradstreet, Inc., New York City

"Credit restrictions during the past year were not tight enough to stop extraordinary growth in capital formation . . . nor a substantial rise in inventories . . . nor a 4% rise in non-farm non-food wholesale prices . . . nor big increases in wage rates . . . nor a $17 billion jump in commercial bank loans. . . .


Edwin B. George

"If velocity happens now to be nearing its practical crest, then I do not believe we will be able for very long to maintain full employment, moderately defined, without a larger increase in the money supply than in the past year and a half. . . . I think also there are reasons for suspecting that velocity is nearing its practical peak. . . . This suggests that sometime within the calculable future we are going to fall back on money supply rather than the rate at which it can turn over.

"We have experienced quite a few changes in costs. . . . To the extent that they are not yet reflected in price, then the money supply has to be even larger if we are going to have something approximating a reasonable idea of full employment. If velocity . . . is already untenably high and falls off due to the needs of individuals or businesses for larger cash balances, then the money supply has got to be increased still further."

He believes the "momentum" of economic activity "will keep money tight and demand high . . . up to the first quarter and perhaps the second quarter of next year. But toward the end of the second quarter I would not be surprised to see the Federal Reserve beginning to relax both on the interest rate and on money supply, although I think the second is much more important."

JULES BACKMAN
Professor of Economics, School of Commerce, Accounts and Finance, New York University

"We have had . . . too little credit in terms of the enormously larger amount that people would like to have. This is no different from any other shortage. It is a relative matter of supply and demand, and not a matter of absolutes.


Jules Backman

"On the other hand, we have had an enormous expansion of savings. We have had a good increase in money supply as measured in terms of velocity and only a modest increase as measured in terms of demand deposits. But we just have not had enough to meet all these extra needs, many of which have been fed by pouring the gasoline of easy money terms on the boom we have had, and then complaining that there is not enough credit to go around. . . .

". . . Money rates are still low or we wouldn't have this wailing of shortage by so many people. There isn't enough to go around at the prevalent price (or interest rate). . . . The shortage we talk about is shortage at a price which, in terms of the last 20 years, seems high. In terms of the current pressures it is too low, and in terms of what is happening in many other parts of the world it is probably still too low."

MARTIN R. GAINSBRUGH
Chief Economist of the National Industrial Conference Board

Mr. Gainsburgh, Chief Economist of the National Industrial Conference Board, in summarizing the discussion, said: "There was general agreement that money was indeed tight; but only one participant felt it was too tight. Three, in fact, were of the belief that it wasn't tight enough. In fact . . . there was frequent comment that despite tight money we had extremely liberal credit extension and the expansion was still going on in 1956.


M. R. Gainsbrugh

"In the main, the feeling was that continuation of present money conditions might contribute toward recession but that it wouldn't originate from that cause. Tight money was particularly stressed in some of the probable softening in capital formation. Should this softening emerge in 1957, then the continuance of tight money would definitely contribute towards a recession. . . . This group believes that even tighter conditions will emerge in the closing months of 1956 and possibly early 1957. The earliest date foreseen for some degree of relief in the money market was perhaps the second quarter when some areas of demand for capital formation may no longer be so pressing as they are currently."

Mr. Gainsbrugh summarized suggestions as to what the individual business firm and the businessman should be doing about the tight money situation as follows: Review dividend and retained earnings policies, seek alternative sources of financing, search for low loan-ratio banking areas, re-examine capital expansion programs, and re-examine adequacy of depreciation policies. He said that on the national level, participants stressed (1) the need for a re-examination of the tax structure "in terms of its impact upon the flow of savings, its relationship to corporate earnings, and most particularly, the favored treatment of interest as distinct from its punitive treatment of dividends," and (2) the need to encourage a higher rate of savings.

Wertheim Co. to Admit Two Partners

Wertheim & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on January 1st will admit John S. Hilson and Wilbur A. Cowett to partnership.

Abraham & Co. to Admit Partners

Abraham & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on January 1st will admit Alexander Foldes, Henri L. Froy and Eugene Schwarz to partnership.

Edwin F. Dodge, member of the Exchange, will retire from limited partnership in the firm.

B. C. Christopher To Admit L. P. Hogan

KANSAS CITY, Mo. — On January 1st, Lawrence P. Hogan will become a partner in B. C. Christopher & Co., Board of Trade Building, members of the New York Stock Exchange.

Newborg & Co. Will Admit New Partners

Newborg & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, on January 1st will admit Frank Weinberg, Jr. to general partnership, and Melvin T. Kafka to limited partnership. Mr. Weinberg who is a member of the New York Stock Exchange, is a partner in Burnham and Company.

The Economic Consequences Of Interurbanization Process

By HENRY WALLICH*
Professor of Economics, Yale University

Depicting interurbanization, which has created a city which runs from Boston to Washington and includes 20% of the U. S. population and 5% of its land area, as one of the most potent single forces shaping the economy's growth, Yale University Economist envisions such consequences as: changing consumption and ownership patterns; forcing the interurbanite to become a man of property—buying his "plant" on time payments, getting it first and saving later to pay for it; and likely to increase use of credit and demand for hard goods. Professor Wallich doubts that this type of dweller favors inflation or dislikes job mobility, and sees interurban revolution helping to prove conservative economists have been just a step ahead of their time.

It is a privilege to accompany you on this voyage into the future. I need not remind you that the record of economists for perfect foresight is not brilliant. It is reassuring to see that similar misadventures have occurred to colleagues of mine in other fields — such as the population forecasters. Personally, I think that my job is to profess and not to prophesy and what I have to profess is often ignorance. But if forecasts are to be made, it is well to make them for ahead for the long-term forecaster is protected by the short memory of humanity.


Henry C. Wallich

Interurbanization's Consequences

Subject to these hedges, I think it is fair to say that the process of interurbanization is one of the most potent single forces shaping the growth of our economy. Insofar as its influence prevails, it will push us, at a brisk pace, toward an economy that will certainly be even bigger than the one we have now, that quite possibly may be more stable, and that, hopefully, may be kept progressive and stable by the exercise of orthodox monetary and fiscal policies.

Perhaps the most important economic aspect of interurbanization is the changing pattern of consumption and ownership that it imposes. The city dweller pays rent for his home, and a tariff for his transport, and buys perishable food and quasi-perishable clothes. Except for a little furniture and a closet full of clothes, most city dwellers have no possessions. New York City, for instance, accounts for only 3% of the nation's private automobiles but accounts for 15% of the nation's restaurant sales.

The interurbanite, in sharp contrast, is forced to become a man of property. He owns a house and a lot. He owns at least one car, now more frequently two cars. He owns household equipment and is repeatedly going into the market for as much more of it as he can afford. A house, as everyone knows, is insatiable. And then there's the garden, too.

Until now it has been held that a high proportion of consumer durable sales in any economy was a sign of instability, because the purchase of durables could be deferred. But who today owning a house could long defer the purchase of a refrigerator? Or of many other solid and useful items of equipment? When durables were luxuries they were deferrable. Now increasingly in interurbia durables are staples and necessities of life.

That is the traditional way of progress and it reduces the instability ejected into the economy by consumer durable.

Of course the interurbanite buys his plant on time payments. He gets it first, then he saves later to pay for it. It usually takes all he has. Perhaps this is one reason why clothing expenditures have tended to drop in recent years. Consumer credit, therefore, is likely to remain on the upgrade.

This hunger for hard goods, which the interurbanite feels so much more acutely than the city dweller inevitably drives him into hard work. In interurbia, hard goods play the role of incentive goods. The interurbanite is willing to work long hours, and overtime, and his wife will work when she can. Our national labor force has been swelled by family members who urgently need money, not to eke out an already comfortable livelihood, but to pay for the extras. Interurbanization may help to keep this trend going.

Of course, life on the instalment plan demands a steady income. Unemployment means repossession. The interurbanite will demand stable employment. Whatever government is in power will have to insure full employment, if it wants to be re-elected.

Pessimists might even argue that in this kind of society the normal restraints against inflation will be relaxed. Debtors have historically favored inflation. The interurbanites, at least while they are young and have only a slim financial toe-hold on their possessions, certainly belong to that class. But, this is a speculation within a speculation. The interurbanites may well come out for stability because they will also be men of property. Our democratic country, always a nation of citizens, will increasingly become a nation of *solid* citizens. The home owner has far more at stake in the community than the tenant of a city apartment. That development in our country has effectively been described as "People's Capitalism," a capitalism where all people live well and where most people own something substantial. All this sounds like stability and good sense, rather than inflation and experimentation.

Now while the new consumer spending pattern is the basic economic influence arising from interurbanization, it is accompanied by a new and huge necessary spending pattern on the part of business, utilities and public authorities. The highway program, enormous though it is, seems often to be too little and too late. And incidentally, it accelerates the need for housing replacement in a brutally direct fashion. The present highway construction program calls for the destruction or removal of about 90,000 houses a year. The huge capital program involved in interurbanization — not only new highways, but new schools, new hospitals, new waterworks, new factories, and new stores — this program will make heavy demands upon our capacity to save. I dare not stand here and predict that this means permanently higher interest rates—too many predictions in this field have gone too wrong — but that seems to be the implication. At any rate, to finance all this investment we shall need all the savings that your institutions and others can gather—always providing that we succeed in staying out of a depression. There is reason to think that these great new investment opportunities may give us a new handle for stabilization policy. But before commenting on what can be done in the way of stabilization, I will mention two other aspects of stability in the new world around us.

The economic blight caused by closed factories, the pockets of unemployment we have heard of in New England and elsewhere, become less serious when they occur within an interurban strip. Unemployed industrial workers can no longer go back to the farm. There are no farms to go back to. But they are mobile enough now to go to another factory. In the eastern Connecticut woolen district, for instance, the town of Danielson was hit hard by closing mills. But now many of the workers of Danielson drive some 60 miles to East Hartford and collect higher wages from United Aircraft than they formerly got in the mills. All over New England the transition from shoes and textiles to electronics and automation equipment is taking place in this fashion. It is not always comfortable, but it keeps the economy going.

Another aspect of interurbanization is defense against nuclear bomb damage, if indeed there is any defense. But at least interurbia, spread out in a continuous net work, cannot be so readily knocked out as can concentrated cities.

It is curious, to say the least, and to many I hope it will be encouraging, that this new and in some ways revolutionary economy we have been examining may at last make certain orthodox and conservative ideas about the management of our economy more practical than they have been and more generally accepted. In the past we have believed that a high interest rate and a tight money supply would check a boom and that a low interest rate and plentiful money would stimulate a lagging economy. The first of these assumptions has usually proved to be correct, but the second assumption has often failed us. Money and interest has proved to be good brake pedals, but have not always served as accelerators.

Now, however, interurbia is providing a huge investment demand. Construction of all kinds becomes a larger element in our economy than it has ever been. Hence we may expect that the interest rate and the availability of money will be more effective as incentives than they have been so far. For construction is tied to the interest rate as no other activity is.

At the same time, we shall probably have a greater need of, as well as opportunity for, selective credit controls, such as the old Regulation W for consumer credit and Regulation X for Real Estate credit. This is to be expected, because these credit sectors are growing in size relative to the rest of the economy. This seems to call for some special treatment. Moreover, if and as we succeed in the great job of stabilization, our people, and particularly the interurbanites, may become increasingly less satisfied with the rough though substantial justice meted out by general credit controls when used in isolation.

This array of credit policies, the selective as well as the general kind, together with a wise fiscal policy, are the remote controls that conservative economists have recommended in the interest of free enterprise and an expanding economy. They would not interfere intolerably with free enterprise and free markets, and they would protect prosperity and the value of the dollar. On the success in stabilizing the business cycle the future of our free economy in large measure depends. So it may well happen that this interurban revolution will help prove the conservative economists to have been just a step ahead of their times.

*A panel contribution by Professor Wallich at the Institute of Life Insurance annual meting, New York City, Dec. 11, 1956.

From Washington Ahead of the News

By CARLISLE BARGERON

One campaign promise of the Republicans, definitely promised in part and implied in another part, seems by way of going by the board because of what is described as the world situation. At least the situation at present bodes evil for a tax reduction.

The Republicans promised a reduction in income taxes of smaller corporations, in order that they could ply back profits into their plants and become bigger corporations. The platform itself wasn't specific about the amount of the reduction but campaign orators, including those on the higher level, kept referring to the recommendations of a Cabinet level commission which the President had appointed to study the problems of "small" business and which, among other things, came up with a recommendation that the rate on the first $25,000 of income be reduced from 30 to 20%. It is true that the commission qualified its recommendation with the assumption that the government's revenue continue to hold up. The revenue is continuing to hold up all right but the government's expenditures, on account of the world situation, seem to be in for an increase.


Carlisle Bargeron

Already Administration officials are hedging on the promise. They are expressing the fear that although the government might easily withstand this small reduction it might open the door to other reductions.

The fact is, however, that although the 30 to 20% reduction to benefit small business is the only promise to which the voter can definitely point his finger, there was a rather general feeling generated that a Republican victory meant lower taxes all around. Republican candidate after candidate promised this. All indications pointed to continued prosperity, they pointed out, and it was no more than reasonable to expect that a bulging Treasury would be forced to disgorge some of its wealth.

From the way the tide is moving, the Treasury will, indeed disgorge but not in behalf of the taxpayer. Its generosity seems likely to be directed toward foreign countries in an unfolding drama of the Administration's assumption of a "bold" leadership in foreign affairs. The leadership we have been pursuing has been plenty costly but not as costly as a "bold" leadership will be.

I have a feeling that the great majority of Americans would be willing to go along with the lesser leadership, certainly as long as it keeps us at peace. But there are professionals in our midst, that is, professionals in the degree our world leadership should be, who are insisting upon the "bold" leadership. And they are articulate and loud.

Insofar as the "small" businesses are concerned, an unfriendly voice has been heard from Representative Wilbur Mills, of Arkansas, Chairman of a House Ways and Means Sub-Committee which for several weeks has been holding hearings on the excise taxes which are a hold-over from World War II, now over for 11 years. Generally speaking, they expire on April 1 as they have on every April 1 for several years but they are always renewed. They very probably will be renewed next April 1.

Representative Mills sees little to be accomplished in the 30 to 20% reduction on the first $25,000 income of small corporations. He says there are not enough of the corporations to be benefited. But it has been my understanding that what the President's cabinet level commission meant was that every corporation would get this reduction on its first $25,000. That would mean something.

The fact is, however, that the Democrats for the most part are unfriendly to this sort of tax relief, as well as removal of the excise taxes because they are not vote-getting. They would prefer something such as an increase of a $100 in the personal exemption by which every taxpayer would save about $10.

The Republicans effected a reduction in excise taxes in 1954 but they had an awful time selling this to the voters in the last campaign over the din that their reduction favored big business. Manifestly they sold something because they won, but they could not elect a Congress. And it was my experience that the charge of big business favoritism was quite effective in this respect. At least, it gave the labor leaders something to harp upon and they seem to have been quite effective in the Congressional races.

Anyway, you have the situation of the Administration not being keen on any tax reduction and the Democrats being wedded to a demagogic reduction. Out of this no reduction of any kind appears to be in the cards.

John Dunbar Partner In Shearson, Hammill

LOS ANGELES, Cal.—On January 1st John B. Dunbar will become a partner in Shearson, Hammill & Co., members of the New York Stock Exchange, making his headquarters in the Los Angeles office, 520 South Grand Avenue. Prior to joining Shearson, Hammill & Co., he conducted his own investment company in Los Angeles.

H. B. Hollins, Jr.

Harry B. Hollins, Jr., partner in H. N. Whitney, Goadby & Co. passed away December 7th.

The Course of Business and Interest Rates for Near Term

By EDWARD E. BROWN*

Chairman of the Board, First National Bank of Chicago

In reviewing the principal factors that will determine the course of business and interest rates during first half of 1957, Midwest banker predicts—barring international involvements—short-term rates will stay around current levels, and long-term rates "will either stay about where they are or perhaps even increase slightly." Mr. Brown believes international deterioration would keep inflation gap from being closed, and that further inflation would probably increase the cost of long-term money. Notes indications of continuance of business boom for "some months more," but expects some decline in business activity in the coming year, "perhaps fairly early."

Apart from the international situation, now explosive and tense because of the situation in Egypt and the Near East and to which I will return briefly later, and which might easily throw any preconceived theory into the discard, the course of interest rates, and long-term, over the next six months or year depends primarily on three things:

Edward E. Brown

(1) **Our ability to close the present gap between capital expenditures (including not only industrial and utility expansion but also housing, automobiles, household appliances and furniture) and savings.** During the past two or three years and at the present time, the American people — and most of the rest of the world also — have been spending more money on capital expansion than they have been saving. The gap between capital expenditures of all kinds and savings has been met by the expansion of bank credit. This is a dangerous process which cannot continue too long without the certainty of inflation and a further marked decline in the purchasing power of the dollar. Higher interest rates tend to discourage capital expenditures and to encourage the formation of savings. The gap between capital expenditures and savings is not so great but that, barring international involvements, it can be closed. It is being closed at the present time.

(2) **The continuance of the present boom in the United States.** If business should decline even moderately, the demand for loans and credit, both short- and long-term, would go down at the same time. It is obvious to me that the present boom cannot continue indefinitely. In fact, I had thought that it would have begun to decline before now. Indications now are that it will continue at a high rate for at least some months more. There is, however, evidence in numerous lines that supply is catching up with the demand for goods and that industrial capacity in many lines will be adequate and in some lines excessive. Also, there is some evidence of resistance to higher prices. I still think that we will see some decline in business activity in the coming year, perhaps fairly early.

(3) **The policy of the Federal Reserve Board.** So long as the inflationary gap between capital expenditures of all kinds and savings remains unclosed, and so long as business remains at its present high level, I believe the present policy of the Federal Reserve Board—of keeping credit reasonably tight and money rates at a high level, compared with the standards of the past 20 years —will continue. It should continue, in the interest of a sound economy in this country. Let us not forget that present interest rates in the United States are lower than in the rest of the world and are not high if we look over a period of say 50 years. The election of President Eisenhower by a tremendous majority ensures, I think, that the national administration will not interfere or try to overrule the present policy of the Federal Reserve Board. If business should turn down in the United States, the Federal Reserve Board would probably act to increase the supply of loanable funds by open market operations or otherwise, in order to prevent a moderate decline from developing into a severe recession.

Short-Term Interest Rate

Barring an international blow-up or a decline in business, I think that short-term rates will probably stay about where they are. I personally do not believe that either an increase in the rediscount rate or an increase in the prime rate is imminent. I think I should warn you that many bankers I know and respect disagree with me on this and think that the prime rate is apt, in the next few months, to increase by a quarter to half a point.

As to long-term rates, again, barring an explosion in the international situation, I believe that during the next six months they will either stay about where they are or perhaps even increase slightly. Unless the inflationary gap between capital expenditures and savings can be closed, long-term interest rates should, for the good of the economy—and I believe they will—stay at least at present levels, thus discouraging capital investment and encouraging savings. Achieving a balance between capital expenditures and savings will at best take some months to accomplish.

The international situation overshadows everything else for the economic future not only of this country but of the world, including of course what is going to happen to interest rates. I have not even an intelligent guess as to what is going to come out of the present crisis. From what I can learn, the situation is more explosive and dangerous than the average American business man realies from reading the newspapers. The present crisis may be settled or it may result in a limited or even an extensive war. Even a limited war would have a very profound effect on the economy of the world, including ours.

The closing of the Suez Canal and the shortage of oil have already caused serious economic repercussions in Europe. The breakdown of our European trade might cause a severe deflation in this country and a serious letdown in business. A war in the Near East might cause our government to extend large aid to Europe and would certainly cause us to increase defense expenditures which would unbalance the budget. The inflationary gap would not be closed and we would inevitably be in for more inflation. The Federal Reserve Board might be forced to increase its supply of loanable funds and while this might or might not reduce the cost of short-term money, the practical certainty of further inflation would probably increase the cost of long-term money. The effects of a war which threatened our national security and our national economy are wholly incalculable. The effect on interest rates would be only a minor part of the picture. Let us hope that such a war does not happen.

*An address by Mr. Brown before the First National Bank of Chicago Meeting, Chicago, Ill., Dec. 5, 1956.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates are offering today (Dec. 20) $7,740,000 of Northern Pacific Ry. 4⅜% serial equipment trust certificates, maturing annually Jan. 17, 1958 to 1972, inclusive.

The certificates are priced to yield from 4% to 4.375%, according to maturity. Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by the following equipment estimated to cost no less than $9,685,530: 40 diesel-electric locomotives; 100 covered hopper cars, and 200 all steel ore cars.

Associates in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; L. F. Rothschild & Co.; Baxter & Co.; Freeman & Co.; Gregory & Sons; Ira Haupt & Co.; Wm. E. Pollock & Co., Inc.; Shearson, Hammill & Co.; The Illinos Co. Inc.; McMaster Hutchinson & Co.; and Mullaney, Wells & Co.

New Branch Office

BOWLING GREEN, Va.—Bellamah, Neuhauser & Barrett have opened a branch office under the direction of Edward Stehl III.

Two With McCormick

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — James N. Asolas and Carlton H. Fisher are now connected with McCormick and Company, 3761 Wilshire Boulevard. Both were formerly with Samuel B. Franklin & Co.

Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Leon M. Katz is now with Walston & Co., Inc., 332 North Camden Drive. He was previously with J. Logan & Co.

Joins E. J. Cronin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Max F. Mezi has become affiliated with Edward T. Cronin Company, 548 South Spring Street.

Joins McCormick Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Philip Blender is now connected with McCormick and Company, 3761 Wilshire Boulevard.

With First California

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif. — Joseph T. Haden has become connected with First California Company, Incorporated, 625 Broadway.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C.—Earl L. Harden is now with Bache & Co., 130 South Salisbury Street.

Alexander MacKinnon

Alexander H. MacKinnon, partner in L. F. Rothschild & Co., passed away December 12th.

United Nations and Our Allies

By HON. GEORGE M. HUMPHREY*

Secretary of the Treasury

Upon receiving Pennsylvania Society's Gold Medal, Secretary of the Treasury Humphrey praised United Nations efforts, found encouraging prospects for future progress, and believed that existing institutions will be able to provide financial assistance necessary to bolster currency-weakness arising from Suez Crisis.

It seems appropriate under these circumstances and at this time to say just a word about the extremely important developments in the world during the past week.

We are now seeing the United Nations as a trusted intermediary stepping into a critical situation to promote the adjustment of differences by negotiation while a previous resort to force for that purpose is being withdrawn.

Geo. Humphrey

The importance of these events as a precedent cannot be exaggerated. It holds possibilities for future usefulness in the settlement of dangerous controversies by negotiation rather than force. This possibility can fire the imagination with the vision of an era of peace in the world stretching out into the future for years to come.

How effective this precedent may become depends of course upon how effective the present peaceful negotiations may be in resolving the real causes of controversy in the present situation. If, in good faith by all concerned, real progress can be made in the near future toward a fair, just, and lasting settlement to eliminate the underlying causes of this controversy, then indeed can we look forward to a brighter day for the maintenance of peace.

Our Allies Are Entitled to Full Support

In the meantime, our Allies who have now wholeheartedly accepted the principles of negotiation and withdrawn from the use of military force are entitled to our full support toward a just settlement of their problems. We took a stand against them when their action violated the basic principles in which we believe. Just so, we must now support them in their wholehearted effort to arrive at a just and fair settlement through negotiation.

This must be equally true of our attitude toward all others involved. When they are in violation of just settlement through negotiation, we must oppose their action. We must support them so long as they are in wholehearted compliance with these basic principles.

A good deal of discussion and some plain guessing is developing in connection with the degree of financial burden on various currencies which this dislocation of the normal channels of trade will involve. Some of the estimates of the need for financial support have been greatly exaggerated. The fact is that in all probability existing institutions will be able to provide most of the assistance that may be needed.

It is too early, of course, to predict a successful outcome for all of the many facets in this confused situation, but great progress has been made under the leadership of the United Nations in the past few days and the prospects for future progress are most encouraging.

*Remarks by Secretary Humphrey on receiving the Gold Medal of the Pennsylvania Society, New York City, Dec. 8, 1956.

Atwill Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Edward A. Robinson, Jr. has been added to the staff of Atwill and Company, Inc., 605 Lincoln Road.

Lowitz Admitting Two

On January 1st Nicholas Rocca and Ralph Weinberg will be admitted to partnership in E. Lowitz & Co., 29 Broadway, New York City, members of the New York Stock Exchange.

Nugent Igoe Partner

EAST ORANGE, N. J. — On January 1st, Nugent & Igoe, 592 Main Street, members of the New York Stock Exchange, will admit Lillian M. Smith to partnership.

Schwerin, Stone Partner

GREAT NECK, N. Y.—Schwerin, Stone & Co., 1 Great Neck Road, members of the New York Stock Exchange on January 2nd will admit Joseph Poggioli to partnership.

What About Tax Loss Buying?

By GARDINER S. DRESSER

Offsetting and non-offsetting tax loss selling are not the only possibilities looked into by Mr. Dresser who also probes effects of other factors upon the market which may be operating during tax selling season; such as, possible tax loss and buying and — the not to be ignored — investors' attitude.

The open season for tax loss selling is drawing to a close. Naturally, investors are wondering what effect on the market this tax selling will have.

Tax selling by those who remain bullish usually has neutral effects. Such holders of securities with losses on, say, Santa Fe stock will sell that stock to secure their tax credits. But, to maintain their positions, they will immediately buy another stock, say, Union Pacific. They thus exert a downward pressure on Santa Fe but an upward pressure on Union Pacific and, as far as their operations are concerned, they leave the average of the prices of the two stocks the same. The price of each stock may, in fact, remain practically the same. Because bullish holders of Union Pacific may sell to secure the tax losses they have in Union Pacific and immediately buy Santa Fe to keep their position. The second group's operations thus may nullify the effects of the first group's transactions.

If many sellers who have been bullish do turn bearish or hesitant, what then? Without their simultaneous buying of other stocks, the downward effect might be important.

Non-Offsetting Sales

Selling to take losses by those who have been bearish, is different. Here, holders of Santa Fe will sell to get the tax credit and will not buy something else. This selling will cause a downward pressure on Santa Fe without offsetting support in that stock or elsewhere. However, it should be noted that, as such investors have been bearish, they may have little or no stock to sell. Many are already "sold-out bulls." The tax selling from this source is not likely to be much of a factor.

What is not generally considered is that there may be some tax loss **buying**—by those who went short of stocks lower down. That buying would put the market up. That is, except where the buyers remain bearish and simultaneously sell something else short, and where other short covering and new short selling counterbalance.

Another consideration is this: where tax selling might have a direct effect, it is, after all, only one factor in the situation and there may be other influences strong enough to overcome that factor.

From what has been said, it would seem sensible to regard tax selling as only one element in the situation; and, as far as that is concerned, it is well to endeavor to predict accurately what the attitude will be, particularly, of those tax sellers who have been bullish on the market: that is, whether or not, when they sell, they will buy something else.

Trying to determine what the attitude of investors will be sounds like what is done always, not just when there is a question of tax selling, doesn't it?

It does.

Municipal Bond Yields Highest in 20 Years

Chicago Northern Trust Co. explains the market rise in municipal bond interest yields, compared to other securities, and believes the narrowing interest rate differential between municipals and corporates may stimulate the interest of other investors, such as savings banks, pension funds and savings and loan association.

The December issue of "Business Comment," December bulletin of The Northern Trust Company, Chicago, points out, "Interest rates on state and local government securities, rising sharply in recent months, have now reached the highest levels in 20 years. The Standard & Poor's index of municipal bond yields, for example, recently surpassed both the earlier postwar peak established in the spring of 1953 and the upsurge in yields resulting from the beginning of World War II in 1939 comparable figures have not been witnessed since October, 1935. In large part, this rise in yields has reflected strong demands for funds and rising interest rates in the markets for corporate securities and mortgages as well as for municipal obligations. Present prospects point to a continued heavy volume of tax-exempt financing. In the Nov. 6 elections, voters approved more than 90% of the dollar volume of new bond proposals submitted to them, for a record total of $2,450 million. This brought voter-approved bond issues so far this year to $4.4 billion, well above the previous record of $2.9 billion set in 1955.

Tax-Exempt Yields Relatively More Favorable

"The upsurge in interest rates has also placed tax-exempt bonds in a relatively more favorable position as compared with many types of taxable securities. In the latter part of November, good grade long-term municipals (Moody's composite) reached an average yield of 3.53%, as compared with 3.95% for the composite of corporate bonds, a difference of .42%. As recently as June, municipal bonds yielded 2.71% and corporates 3.46%, a yield spread of .75%. After allowance for the tax exemption feature, moreover, effective municipal yields are considerably greater than on other high quality securities. High grade municipals of intermediate maturity yield 2.60% to 2.75%; a Treasury bond of equivalent maturity affords an after-tax yield of 2% to 2.10% to a corporate buyer. This differential favoring tax-exempt bonds has widened to the largest spread in the postwar period. Effective interest returns on lesser quality municipal and tax-exempt revenue bonds have risen even more sharply.

Growth in Municipal Debt

"What explains the marked rise, both absolutely and relative to other securities, in municipal bond interest yields? To a considerable extent, the larger increase in municipal yields reflects the rapidly growing supply of tax-exempt securities available to investors. In 1946, the combined debt of state and local governments and their instrumentalities amounted to less than $16 billion, reflecting the reduced rate of borrowing during the war years. Pressing needs for public facilities have induced governmental bodies to add heavily to their indebtedness since then, and the total of such debt had risen to about $48 billion by the middle of this year. In 1954, gross new tax-exempt security offerings reached a peak of $7 billion, when revenue financing—including toll road issues—bulked especially large. In 1955, however, new municipal issues still totaled $6 billion—second only to 1954—and offerings so far this year have run very close to the 1955 pace.

Bank Purchases Decline Sharply

"Municipal markets also have been adversely affected by a decline in the purchases of commercial banks, long an important source of demand in the shorter maturity section of this market. Caught between a record loan demand from business borrowers and relatively stable deposit totals, banks not only have sold Treasury securities in large volume but also have sharply reduced net additions to their portfolios of other securities. In the 12-month period ended last June, the net increase in bank holdings of state and local obligations amounted to only $140 million. This is in sharp contrast with net additions totaling $850 million in the previous 12 months and $1,400 million in the year ended June, 1954. Reduced bank participation in municipal financing appears to have been partly offset by increased purchases of tax-exempts by corporations and individuals.

Life Insurance Holdings Rise

"Because of the tax feature, interest in municipal issues has centered on a special and somewhat more restricted group of investors than is the case with government and corporate securities. Investors subject to moderate income tax burdens or none at all have not been attracted to municipal securities to any substantial degree. Thus, mutual savings banks, savings and loan associations, charitable foundations, and the rapidly growing private pension funds hold only small amounts of tax-exempt bonds. Life insurance companies, however, currently hold $2.1 billion in municipal securities, an increase of $900 million in the last three years. The major share of these acquisitions has been in revenue rather than general obligation bonds, reflecting the substantially higher yields available on the former. The overall narrowing in interest rate differentials between municipal and corporate obligations may tend to stimulate the interest of such investors, as well as a broader group of individuals and taxable corporations.

Yields Balance Supply and Demand

"Some issuing authorities have refused to sell new issues at the yields necessary to move municipal securities in recent months, and numerous issues have been withdrawn from bidding. According to the Investment Bankers Association, at least $350 million in new flotations were postponed or withdrawn in the third quarter of this year alone. Even though most of these issues may be reoffered later on, it is such actions, combined with the marking up of yields, which constitute the process by which a better balance between the demand for funds and the supply seeking investment can be achieved. The prospective volume of municipal issues remains very large, however, and only time will tell the extent to which the necessary interest rate adjustments already have been made."

Capital Goods Boom, Rising Prices And Savers' Point of No Return

First Natianal City Bank, in reviewing general business conditions and prospects, discusses the absence of large-scale price advances, capital goods expenditure plans, and solution to present excesses. Shows what savers should obtain just in order to have purchasing power maintained.

In looking into the course of prices, the pace of the capital boom, and the compounded interest rate necessary to keep up with the average rate of depreciation of the dollar, the First National City Bank of New York, in its December "Monthly Bank Letter," observes that "the absence of large-scale speculative price advances has been a heartening feature of the current situation. A wide variety of imported commodities normally passes through the Suez Canal and these shipments will now be disrupted and delayed, while transportation costs will increase. Nevertheless, the U. S. Department of Labor's daily index of spot prices of basic raw industrial commodities has risen only 7% in the four months since the seizure of the Suez Canal in sharp contrast to the jump of 50% during the first four months of the Korean War. Among the commodities affected by the Suez crisis, tin has shown a rise of 13%, while domestic crude oil prices have remained stable. Rubber prices have increased about 10%. Such Far Eastern commodities as jute, burlap, copra, and tea have also advanced in price.

"Wholesale prices in general have risen only slightly since mid-year, as declining farm prices have offset most of the price increases following the steel strike. In October, the consumer price index, largely reflecting a delayed reaction to last summer's increase in wages and wholesale prices, advanced to a new record, 2½% higher than a year earlier.

No Panicky Bidding

"One reason why there was no panicky bidding up of prices as the international situation deteriorated may lie in the widespread knowledge that substantial stocks were already on hand. Purchasing agents have generally been following conservative policies this fall, shortening up on commitments and trying to whittle down the near-record stocks of purchased materials. Behind these large private inventories lie the Government's vast stockpiles of strategic materials for use in a national emergency.

"One commodity after another which had been hard to get has become more plentiful during the course of 1956. Apart from nickel and certain types of steel, few commodities are scarce in today's markets. A prime illustration is the announcement in November by the Aluminum Company of America that supply of aluminum had caught up with demand and that the industry was embarking on an intensive merchandising campaign to develop new uses and stimulate sales. . . .

Demand for Capital Goods

"The capital goods boom, reflected in the indexes of machinery, instruments, and transportation equipment output, has been chiefly responsible for keeping the general level of industrial production high. Despite the heavy output of most types of producers' equipment, order backlogs have risen. Unfilled orders of machinery manufacturers increased nearly $4 billion in the year ended Sept. 30 and transportation equipment producers added $4½ billion to their backlogs in the same period.

"The strong demand for capital goods is not likely to subside soon. The basic forces which touched off the record-breaking capital outlays of the past year and a half are still at work. To be sure, the squeeze of costs against profits has become increasingly important in investment decisions. This squeeze has a deterrent effect on expansion where it signals a catching-up in capacity and an inability to pass increased costs along in higher prices. Also, it can work the other way, providing an incentive to cost-cutting investment.

"By this time of year, corporate budgets for 1957 capital expenditures are beginning to firm up. A handful of spot checks of key firms and localities indicates that business men anticipate an increase in plant and equipment outlays somewhere in the neighborhood of 10%. The largest individual segment of the capital expenditures picture fell into place last month when the American Telephone and Telegraph Company announced that the Bell System as a whole would spend $2½ billion on new plant and equipment next year, an increase of about 14% over 1956.

Business and Government Spending

"Business and Government spending on non-residential construction in 1957 will rise 8% over 1956, according to the annual forecast by the U. S. Departments of Commerce and Labor. Industrial plant construction is expected to continue to expand, but only about 5% above 1956. The building boom in shopping centers and stores appears to be subsiding; this activity will decline in 1957. However, the demand for office buildings, public utilities, and pri-

Rates of Interest and Depreciation of Money

Country	Indexes of Value of Money* 1946	Indexes of Value of Money* 1956‡	Annual Rate of Deprec. (Comp'd.)	Rates Offered on Gov't. Bonds† 1946	Rates Offered on Gov't. Bonds† 1956‡
Switzerland	100	86	1.5%	3.10%	3.23%
Germany	100	72	3.2	n.a.	4.90
India	100	72	3.2	2.88	3.98
United States	100	71	3.4	2.19	3.27
Venezuela	100	70	3.5	n.a.	3.63
Netherlands	100	67	4.0	2.99	4.10
Canada	100	65	4.2	2.61	3.88
South Africa	100	65	4.2	2.89	4.75
Sweden	100	65	4.3	3.01	3.74
United Kingdom	100§	65	4.6	2.76§	4.86
New Zealand	100	59	5.2	3.01	4.73
France	100¶	58	6.5	4.26¶	5.48
Mexico	100	47	7.4	10.44	10.12
Australia	100	46	7.5	3.24	5.04
Brazil	100	23	12.7	n.a.	12.00
Chile	100	5	25.3	9.22	13.82

NOTE: Depreciation computed from unrounded data. n.a. not available. *Measured by rise in official cost of living or consumers' price index. ‡Latest month available. †Except for mortgage bond yield in Germany, commercial paper in Venezuela and Mexico, and commercial bank loan rate in Brazil and Chile. §1947. ¶1948.

vate institutional construction is still strong and is expected to rise 10% or more. An increase of 12% is anticipated in publicly financed construction, including schools and highways.

"Although next year's capital outlays will be higher than the average 1956 level, this does not imply a rate much higher than that now current. Shortages of structural steel on the one hand and tight money on the other are causing some spreading out of expenditures. This will help to make the topping off in capital goods activity a long, flat crest rather than a sharply pointed peak.

Are We Going Too Fast?

"The basic problem of the capital goods boom is simply stated, but not as simply answered: Are we trying to do too much too fast? Efforts to grow too quickly have unstabilizing effects; they lead to mistakes, miscalculations, and maladjustments. Carried to an extreme, they may end in lack of balance between productive facilities and consumer wants and in over-capacity in specific lines.

"When the demand for capital exceeds the rate of saving, and productive facilities for capital goods are as fully engaged as they are now, inflationary pressures result. Some capital demand, some borrowings, and some projects must be postponed. At the same time, the community at large must be induced to lay aside more of its income, abstaining from consumption in order to finance growth. The solution of the problem requires attack from both sides. . . ."

The point of no return induced by progressive price inflation is realistically described by First National City Bank in pointing out that "since World War II, slow-burning inflation has been the order of the day, afflicting almost the entire world. This is due mainly to political pressures to sustain full employment at constantly rising wage levels. One hears more and more competent observers projecting this drift indefinitely into the future, warning that 'we are in a long-term cycle of inflation' or that 'we shall experience a rising price level for the rest of our lives.' There may be interruptions, we are told, and the average rate of rise in prices will be modest—possibly no more than 2 or 3% a year.

"Two or 3% a year, on the average, has seemed quite harmless to many political leaders and economists. It does not seem harmless to savers trying to accumulate resources for retirement, education of their children, and family emergencies. They have been alerted to their perils by noting how their past savings have depreciated in real value and by the many predictions that the future will hold more of the same. They want better returns, and governments, with greater or less reluctance, have submitted to their demands and let interest rates rise, recognizing that a nation that systematically steals away the citizens' savings is inviting an uncontrollable holocaust of inflation.

The Point of No Return

"Progressive inflation has been a world-wide phenomenon, as the subjoined table suggests. The table shows for 16 countries the depreciation of money since 1946 as measured by official cost of living indexes. If the depreciation is converted to an annual rate, compounded, as the third column of the table shows, the saver has a measure of his point of no return —the annual rate of interest which he would have had to receive, and reinvest at compound interest, to have the same amount of purchasing power now as he had in 1946.

"Rates of interest available in 1946 were artificially depressed by 'cheap money' policies in most countries, and did not give the saver compensation for the depreciation in store for him. Switzerland, which offered 3.1% on Government bonds, was an exception, and the fact that the conservative investor in Switzerland has on the whole been better treated than elsewhere has something to do with the fact that interest rates in Switzerland today are the lowest in the world.

"In most countries, the saver of ten years ago has suffered serious losses in purchasing power; rather more than the table would indicate since interest income is often subject to taxation that waters down the rate and retards the working of compound interest. In the United States, for example, assume a capital sum invested ten years ago at 3.4%, with all interest reinvested at the same rate. This sum would have grown enough in nominal value to keep up with the average rate of depreciation of the dollar only if the interest were free of income tax. A person in the 20% income tax bracket would have required a taxable interest rate of 4.3%; in a 40% bracket 5.7%; in an 80% bracket 17%. And all this simply to hold even with the depreciation of the dollar and avoid actual loss.

A Sorry Chapter

"This has been a sorry chapter for the lender of money at interest. Today's higher rates help, but they will still leave the saver falling behind in the race unless the price record of the next ten years is better than it has been over the past ten. Of this there is promise, for the rise in interest rates itself is a reflection of a greater sense of discretion by government central banks and treasuries in creating money. Politicians who want lower interest rates must get them the hard way —by curtailing government expenditures and income tax rates, stopping the upward price drift, and letting the loan capital of the people grow."

Goodwyn Olds Partners Join Mackall & Coe

WASHINGTON, D. C. — On January 1st, Edson B. Olds, J. Woodward Redmond and Charles C. Ailes will become partners in Mackall & Coe, Woodward Building, members of the New York Stock Exchange. Mr. Olds and Mr. Ailes are partners in Goodwyn & Olds, of which Mr. Redmond is syndicate manager.

THE MARKET . . . AND YOU

By WALLACE STREETE

Despite hopes that year-end tax selling would be cleaned up early, apparently there was still enough of it around in the stock market this week. And the profit-taking that was inevitable after the list's rebound from the November low came along as an added factor to keep the market restrained.

* * *

Sustained strength was highly selective and there was a full share of disappointments around both in individual situations and in groups like the rails. In the case of the latter the long-awaited freight rate rise approval generated virtually nothing but scattered trading interest.

Rails Continue Disappointing

In fact, it began to appear that the year-end rally will pass up the rails for the most. Unless they get some sort of support shortly, the rail average seems pretty well destined to wind up the year in minus ground. The index was down by some nine points on the year even with the rate increase official which is a sizable loss for this average to recoup in the remaining half a dozen trading sessions.

* * *

The industrials owed a good bit of their better action to the steels. This group was able to offer a rotating leadership that kept steel stocks prominent on the list of new highs despite sporadic profit-taking.

The outlook was that the year-end rally still had a bit more room on the upside, so the industrial average which already is in plus territory on the year seems fairly sure of turning in a better annual performance than the laggard rails. It certainly won't be an improvement that sets any records since the gain on the year stood at a merger half dozen points this week.

That 500 D-J Line

Currently, the big question is how much opposition the 500 line will offer to the rally. The area rebuffed the industrials in the pre-Election runup and definitely slowed down the year-end rally up to here.

There wasn't too much hope that the rally would carry to a new all-time peak in time to make it one of this year's performances. The old peak of 521 was posted early in April and the market has been in a trading range for the most ever since. Predictions that the rally would carry above this level even early next year were anything but abundant. In short, caution continues to dominate the thinking, a sick market in government obligations and widespread expectations of even tighter money being largely responsible for the restraint.

Two Interesting Oil Issues

Some of the oils had their staunch followers but as a group the showing was ragged more times than not. Amerada which, by statistical measurements, is no bargain is still widely held by institutional investors and rather widely regarded as a promising situation among market spectators. The appeal of Amerada which is hard to measure in the traditional way is that it is the leading finder of oil in the domestic sphere. Little attention is paid to its reported earnings or its yield which is below 2%. The brighter aspects of the company are the start of production from its Canadian properties and the possibility of crude price increases.

One of the oils that has had a far more mundane life than most, not only this year but last year as well, is Union Oil of California. The stock has held in only a shade more than a 12-point range each year and in a 20-point range for the two years together. Its sole day in the limelight this year, during which it was able to post its high for recent years, was when it brought in a discovery well in Costa Rica.

Union Oil's major aim in the post War II era has been to expand reserves outside the State of California. And, as the Costa Rican discovery illustrates, the company since has wandered over a large share of geography. It also brought in a discovery well in Canada. In all, it has about doubled its reserves outside of California to boost them to better than one-fifth of total reserves. Convertible debentures held by Gulf Oil would, if converted, give Gulf ownership of 24% of the stock. This possible dilution, which probably is in part responsible for Union's quiet market life, would be offset by the $48,000,000 Gulf would have to pay at the time.

Depressed Issues With Expected Awakening

Some of the more depressed issues are still being eyed for a worthwhile rebound, including Georgia Pacific Corp. which has fallen on hard times lately, none of them too basic. The company had troubles with a stock offering, with a little attention from the Securities and Exchange Commission for various methods of computing book value. This together with easier plywood prices all helped drop the stock around 40% under its high. The SEC troubles have been cleared up, the stock offering is now history and plywood prices are advancing.

Another such is Western Union which also retreated about 40% from its peak. The company has been reporting earnings ahead of those of last year despite widespread expectations of a decline in profit this year.

Outstanding Chemicals

Chemicals were also included in the depressed category although the trim in earnings being reported by the major companies, plus the fact that profit margins have been getting squeezed, have done much to chill investment interest. But the pattern is far from being universal. American Cyanamid, for instance, is generally regarded as being in position to report record profits for this year. Of help in this performance is its participation in the antibiotic field through Lederle.

Similarly, the not-too-well-known Harshaw Chemical has been reporting profit-margins so far this year that are well above those of last year. Projections are that the 1957 fiscal year results — the company is only rounding out the first quarter of its year now—will show a sizable increase over the 1956 results. Part of the improvement traces to a program of concentrating on making its own products rather than depending on other suppliers for resale items. Where such resale items once accounted for two-thirds of sales, they now have been whittled down to about one-fifth of total volume. Where some of the other better-known chemicals are selling at around 30-times-earnings, Harshaw at recent levels has been available at only 10-times-earnings.

Bowling Beneficiary

American Machine & Foundry has had its profit picture changed radically by development of the bowling alley pin spotter device. The issue was buffeted at times in development of this device as various bugs in the mechanism cropped up. But both last year and, it is anticipated, for the current one, it will be the company's biggest money maker. It easily took over the mantle from the automatic cigar machinery on which American Machine was so dependent in the past. So far the bowling alley installations are up to around 18,000 which, however, is only about half of the potential for the company.

[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.]

Connecticut Brevities

The Soundscriber Corporation has recently begun construction of a new plant in North Haven. The new building will contain about 55,000 square feet of floor space for both office and manufacturing use and will be a one story building of brick and masonry costing an estimated $750,000. **Soundscriber** presently leases space in New Haven where it employs 300 persons.

* * *

A new corporation, **The F. W. French Tube Company**, has taken an option on a 22 acre tract of land in Newtown and has announced plans to build a small manufacturing plant for the fabrication of copper, brass and aluminum tubes and rods, primarily for use by the air conditioning industry.

* * *

The Hartford Electric Light Company has recently received Connecticut Public Utilities Commission approval of a bank loan agreement under which the Company may borrow up to a total of $15 million on loans which mature not later than June 30, 1958. The interest rate will be equal to the prime rate and there will be a 1% standby fee on the unborrowed portion. The Company's present bank loans amount to $5 million. Proceeds of additional borrowings under the agreement will be used in connection with the construction program which is estimated at about $13 million in the 1957 year. The Company proposes to refund the bank loans at or prior to maturity with long-term securities.

Under a similar bank loan agreement, also approved by the Connecticut Public Utilities Commission, **The Connecticut Power Company** has authority to borrow up to $12.5 million on loans maturing not later than June 30, 1958. Connecticut Power, which has bank loans outstanding of $5.5 million will pay a standby fee of 1% on any unborrowed portion of the remaining $7 million. The interest rate to be paid will be one-quarter of 1% above the prime rate. The construction program of the Company for 1957 is estimated at about $9.6 million.

* * *

In a recent decision the Connecticut Public Utilities Commission has authorized the liquidation of **The Clinton Electric Light and Power Company**, a wholly-owned subsidiary of **The Connecticut Light and Power Company** under a plan which will in effect distribute all the assets and franchises of Clinton to its parent. Clinton will then be dissolved and Connecticut Light will serve Clinton's customers. As a result of this transaction, which will take place on Jan. 1, 1957, the present rates in the Essex area will be extended to the towns of Clinton, Madison and Killingworth, resulting in an average rate reduction of about 9% for these towns now served by Clinton.

* * *

Through its offer to exchange one and one-quarter shares of its Comomn Stock for each share of Common Stock of **National Fire Insurance Company**, the **Continental Casualty Company** has acquired about two-thirds of the 500,000 shares of outstanding stock of National. The offer was originally made on Oct. 22 and expired on Nov. 30, 1956. Following the exchange of stock Mr. Tuchbreiter, Chairman of Continental, and Mr. Smith, President of Continental, have been elected Chairman and Vice-Chairman, respectively, of National.

* * *

Stockholders of **Brooks Bank and Trust Company**, Torrington, voted on Nov. 27 to increase the capital stock from $300,000 to $350,000 in order to permit payment of a 16⅔% stock dividend. Following the stockholders meeting, the Board of Directors voted to pay the proposed stock dividend to holders of record Nov. 27, 1956.

J. P. Morgan Appoints New Officers

George Klemann has been appointed an Assistant Vice-President of J. P. Morgan & Co. Incorporated, 23 Wall Street, New York City, it was announced by Henry C. Alexander, Chairman.

Mr. Klemann, who is assigned to the bank's securities department, joined the staff of J. P. Morgan & Co. in 1927 and became an Assistant Treasurer in 1951.

Other appointments announced include Louis V. Farrar as an Assistant Treasurer in the general banking department, David B. Magee as an investment officer, and Harold S. Brush as an Assistant Secretary in the tax department.

J. F. Reilly Elects Two Vice-Presidents

J. F. Reilly & Co., Inc., 42 Broadway, New York City, announce that Charles A. Tucker has been elected Vice-President and director and Eugene J. Quinn Assistant Vice-President of their firm.

With Continental Inv.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Darrell L. Oaks is now with Continental Investments, Inc., Equitable Building.

M. Wortmann Opens

Marcel Wortmann is conducting a securities business from offices at 333 West 86th Street, New York City. He was formerly with David Gordon & Co. and L. D. Friedman & Co.

With Shelley, Roberts

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Anthony Calicchia is now with Shelley, Roberts & Co., 9486 Santa Monica Boulevard.

With Gill-Harkness

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Shirley J. Lynn has become associated with Gill-Harkness & Co., Security Building. She was formerly with McCormick & Company.

Capital Expenditures Again to Rise in 1957

Top executives, in response to McGraw-Hill post-Election questionnaire, reveal that despite Suez crisis most companies plan to increase capital spending by 11% in 1957, and maintain record outlays in 1958. Non-ferrous metals, oil refining, and utilities in forefront.

American industry, already in the midst of the biggest and longest capital spending boom on record, gives every indication of maintaining this high level, according to the annual survey by the McGraw-Hill Publishing Company's Economics Department, released today by Dr. Dexter M. Keezer, Director.

Dexter M. Keezer

Presidents and top executives in industries that employ over 9.7 million workers, in response to the yearly questionnaire, indicated that most companies plan to increase spending in 1957 and to maintain a similar high level in 1958.

For 1957, business now plans to increase spending 11%, compared to an increase of 21% in 1956. Plans for new construction and equipment total $40.2 billion. And in 1958, about two-thirds of the companies surveyed plan to maintain or increase spending from the 1957 level. Only 30% expect a decline.

Difficulties in construction and delivery of equipment have delayed some 1956 spending until 1957. And in some industries, a part of 1957 spending is being rescheduled for 1958. Very few cancellations are reported.

Neither the elections nor the Suez crisis have had any significant effect on plans to date. Only 3% of companies surveyed report changes as a result of the election returns. However, new plans may still develop as a result of the foreign crisis.

Capital Spending in Manufacturing

In most lines of manufacturing, companies are scheduling higher expenditures next year, the largest increases being in the steel and nonferrous metals industries, and in chemicals and petroleum refining. In these cases, planned expenditures are so large that some may have to be carried over into 1958.

In contrast to 1956, the survey of the coming year also shows some declines. Less spending is planned by the auto industry and by companies making residential building materials, textiles and miscellaneous consumer goods such as apparel and furniture.

But some manufacturing companies—steel, machinery, electrical machinery, chemicals and rubber — already are scheduling higher expenditures for 1958.

Non-Manufacturing Industries

Electric and gas utilities report plans to invest $6 billion in new plants and equipment in 1957 — up 25% from 1956, and a figure so large it will be difficult to achieve.

The oil industry has a tremendous program underway to expand and up-grade refinery capacity, with expenditures to rise 50%. Complex new processes are requiring more expensive refineries, and the industry is adding its own chemical plants, which greatly increase the total investment in the refining division.

The mining industry expects to spend 9% more in 1957 than in 1956. Most of the development plans are expected to continue at high level in 1958.

Railroads are stretching out their construction and equipment programs. Expenditures in 1956 have been less than planned because of delays in freight car deliveries, and also because some railroads have had trouble raising money. In 1957, however, the railroads plan to increase total spending on roadway, structures and rolling stock by 8%. The scheduled spending of $1.4 billion is near the railroads' financial capacity unless earnings pick up or credit eases.

Other Transportation

Other transportation and communication groups plan for a 12% higher investment in 1957 on programs of broadcasting and other communications facilities. The continuing re-equipment program of the domestic airlines and the increasing merchant ship program add to the total—and will do so again in 1958. However, over-the-road trucking companies will spend less in 1957, with many of them reporting difficulty in obtaining credit to finance truck purchases.

Commercial Business Up the Least

The weakest sector—in terms of plans for 1957 — is commercial business. Despite higher prices for construction and equipment, scheduled expenditures are up only 3%, indicating a decline in physical volume of investment.

Department stores and other chain stores report that plans for next year are down, particularly plans for stores in large shopping centers. However, smaller shopping centers, supermarket construction and various other small stores still show some increases for 1957. Expenditures on office buildings are also continuing at a high level, and spending on office and store equipment by banks, insurance companies and other big users continues in a steady uptrend.

A relatively large number of chain stores say they expect to spend more in 1958 than in 1957, resuming expansion as mortgage credit becomes available. In the past, each great wave of commercial building has been followed by a severe and prolonged decline. But present plans indicate only a brief readjustment in the making.

Business expects the prices paid, on an average for all types of equipment and construction during 1957 to be about 6% higher than in 1956.

C. F. Henderson Admits

On January 1st Charles J. P. Fagan will acquire a membership in the New York Stock Exchange and will be admitted to partnership in Charles F. Henderson & Sons, 29 Broadway, New York City. On the same date Mary J. Fagan will become a limited partner.

General Business for Near Term

By A. W. ZELOMEK*
President and Economist, International Statistical Bureau, Inc.
Visiting Professor, Graduate School of Business Administration, University of Virginia

Expecting "general business will average higher in 1957 than it has this year," Business Economist Zelomek adds, however, that the present rate of increase is not likely to continue through 1957 in view of the likelihood of a pause or moderate decline in the second half of the year. Author anticipates Federal spending will increase close to $3 billion; state-local spending will go up; consumer spending will be strong through most of 1957; disposable income will average higher with minor living costs increase; and though business spending will average higher than 1956, it will show a less favorable trend than other categories. Discusses, also, possibilities of oncoming greater profits squeeze and less favorable production compared to better showing of gross national spending.

Not so long ago "The London Economist," one of the leading international journals in its field, remarked that America has a plentiful supply of the material with which to make crystal balls, and a plentiful supply of economists who sit and look into them. Whether or not the crystal ball is standard operating equipment for economists, it is true that America today possesses more economists, self-styled and otherwise, than at anytime in history.


A. W. Zelomek

In essence, this situation reflects both the widening and deepening of interest in economics in this country, and interest not confined to the academician, but felt equally by the businessman, by management, and to a large extent by the man in the street.

This new interest did not come about because of any major educational campaign, but rather because the events of the past 25 years have brought international consciousness, and have compelled all of us to recognize the relationship between economic trends and the pattern of our own lives.

The current crisis in the Middle East, and the inhuman treatment of the Hungarians by the Soviet, have again brought into focus the close relationship between international tendencies and the American economy. The 1950-51 boom and the subsequent decline are still fresh in the minds of most. The impact of defense spending in our economy is too well known to need elaboration. However, we are not concerned too much with what has happened, but rather with what may happen.

I can think of no better way to begin discussing the broad economic outlook for the entire American economy, and the specific outlook for the New England region, than by discussion of the latest international developments and the Soviet strategy. This has an important bearing, not only on our lives, but also on defense spending and its impact on the economy.

Government Spending

The new year will bring great changes in the international balance of power, especially in Europe, Africa and the Near East. There will be new conflicts and military clashes on several continents, but they will probably be localized. The international position of this country will be subject to change, which will require a drastic revision in defense strategy. This defense strategy has already begun to develop as a result of the latest Middle East crisis and the inhuman attack of the Communists on the Hungarians.

Time and again clients have asked us whether the deflation of Stalinism and the changes that were developing in both Poland and Hungary foreshadowed a weakening of the Kremlin Empire. We had to tell them that Communism had not changed its philosophy, that its ultimate goal is world domination. An entrance into the Middle East is something Russia has sought for generations, and I wonder whether we will be able to dislodge them. In any case, it is plain that sustained defense spending will be needed. This is most important from an economic standpoint, not only to the nation, but also to the New England area, in view of the gain of such industries as transportation equipment, electrical machinery, and fabricated metal products. I can best illustrate this by pointing out that, whereas the number of employees in New England in the non-durable goods industries, dominated by textiles and leather, averaged 846,500 in 1947, the total in September 1956 is only 752,800. Durable goods industries during the same period gained, from 681,700, the average of 1947, to 736,900 in September 1956.

Total spending for national defense, which averaged $41.2 billion in 1954 and $39.2 billion in 1955, is currently running at about $40 billion annual rate. Other national security outlays are currently running close to $2 billion. Secretary of Defense Wilson had indicated a probable increase of about $2 billion to $2½ billion in defense spending for fiscal 1958. As a result of the most recent developments we are inclined to believe that this $2 to $2½ billion estimated increase may be exceeded. I therefore conclude that total Federal spending, including national security, may easily average about $50 billion in 1957 as compared with $47 billion in 1956 and $46.7 billion in 1955.

State and local spending has been rising steadily for years. This reflects the marked increases in population, migration to the suburbs, etc. State and local spending in 1953 was only $25.1 billion, whereas, this year it will equal about $33 billion. We expect a further increase of about $2½ to $3 billion in 1957, even though municipalities will have some difficulty in obtaining sufficient funds as a result of the tight money market.

Government spending for 1957, therefore, must be put on the plus side of the economy. This indicated increase in government spending, Federal, state and local, will help keep the economy on a high level and will contribute to a further gain, at least during the first six months of 1957.

Consumer Spending

Consumer spending in 1957 will also be a plus factor helping to sustain general business activity. Most analysts and observers have not given sufficient consideration in recent years to the role played by consumer spending in maintaining the economy at a very high level. Note, for example, that in 1953-54 the annual rate of defense spending was cut about $12 billion, or more than 20%. The annual rate of private capital expenditures declined, from peak to bottom, but about 10%. The swing from inventory accumulation to decumulation was about $12 billion. These three changes added up to a loss of $27 billion. Offsetting this, personal consumption expenditures rose steadily and continually by about $22 billion. This strong trend of consumer expenditures contributed to the resurgence in capital outlays in 1955-56.

At no time has the consumer been frightened, and at no time has he shown a reluctance to spend. The consumer has been confident about sustained employment and rising income. He has been accumulating savings. While he has been going into debt, this has not been abnormal or excessive. His weekly take-home pay has even bought more than in the past several years, despite the higher cost of living. He has been receiving more dollars, thus offsetting a slight decline in the purchasing power of a single dollar.

What does it all add up to, therefore, in terms of consumer spending for 1957?

Textile-Apparel Spending

As I view the situation, the public will spend normally most of the year, even though the rate of spending may fluctuate, sometimes with the mood and sometimes with the weather. For textiles and apparel, as well as leather and shoes, which are most important to your area, I expect that dollar spending will be higher, but the increase in physical volume may be very small. The public will spend a slightly greater portion of their outlays on apparel, including shoes. They will buy better items. They will buy higher priced items, and I believe the New England area should be helped. This area has been in a better position when the demand has been for novelties rather than for staples. Even though the South is gradually gaining importance as a producer of novelties, your area is still dominant. . . .

To come back to consumer spending, there will be an increase in 1957, not only for services but for goods. I believe that outlays for automobiles and appliances will be slightly higher than in 1956. I question, however, whether the gain in 1957 in passenger car sales will fully make up this year's losses. Sales of appliances and television will also be very irregular. I expect a good sized gain in color television sales, but some lag in black and white. I expect an increase in air conditioning unit sales, as well as automatic washers and driers. However, I expect very little change in refrigerators. By and large, the total of durable goods sales in 1957 may show an increase of about $2½ to $3 billion over 1956. The increase will be greater than the gain in non-durable goods, which includes not only textiles, apparel and shoes, but also food. Rising expenditures for food have been partly the result of purchases of better qualities and cuts. Increased spending for gasoline reflects the record registration and use of automobiles.

There is very little need to discuss the steadily rising trend of outlays for services. This is a normal reflection of a rising standard of living and a high rate of general business activity. It is aided by inflationary pressure. However, I expect that service spending will not show the same increase in '57 over '56 as it has this year as compared with '55.

Bullish Consumer Spending

I consider consumer spending in '57 on the plus side of the economic outlook. It hardly indicates a boom. It hardly suggests more than reasonable spending based on normal economic and social factors. Consumers are spending as much as they can spend and still make their contribution to the great volume of savings needed by business and government for the capital construction program.

There are two further points which should be mentioned. I refer to the cost of living and to instalment credit. Despite the inflationary pressure, I doubt whether cost of living in 1957 will average more than about 1% above 1956. This even assumes a 3% increase in wholesale prices. The tight money policy of the government and the steadily expanding productive capacity will prevent any sharrp increase in cost of living. The tight money policy, as I shall discuss below, is on the minus side of the business outlook, not only in connection with business spending, but also in its effect on the consumer.

The rise in instalment credit has caused some concern, although I firmly believe that this has been over-emphasized. At no time in over 25 years have I been concerned about the rising trend of instalment volume. I have a high regard for the American public and its ability to adjust its own spending when it finds it has over-bought. The best answer is 1956, when new instalment debt has only been slightly greater than repayments. I expect instalment credit to gain in '57, but at a smaller rate of increase than in '54-55.

Business Spending

To save time, I will summarize briefly my conclusions regarding business spending:

I expect the value of residential building to average about the same as in 1956. We probably will build about a million new homes, a small decrease from '55 and about the lowest since '51, or possibly since '48.

Many types of non-residential building may only show a small increase, if that. We have already over-built stores and restaurants. A slowing down in building of shopping centers is also indicated, resulting from the tight money and a need for a second look at this whole shopping center development.

However, spending for roads and schools may be somewhat higher, although here the question of financing may be a decisive factor in the rate of expansion.

Spending for plant and equipment in 1957 constitutes the most uncertain factor in total business spending. While it is most likely that plant and equipment outlays will continue to gain for a while longer, there is very little chance that this expansion can be sustained beyond the first six months, unless the tight money situation suddenly eases, and this is unlikely. While the year's average outlay for new plants and equipment will be greater in '57 than in '56, the last six months may be about the same or lower than the first six months.

Fluctuations in inventory have played an important part in general business trends. As I see it at the present time, there is very little likelihood of any marked net additions in inventory, or any special need next year for liquidation. Record capacity, fairly stable prices, and the high cost of money preclude inventory accumulation.

Total business spending should taper off in the last six months and thus contribute to a levelling off in the economy. This, however, still does not preclude a higher average for the year as a whole.

I still expect a gain in disposable income of close to $16 billion. However, a part of this increase will reflect higher prices, a trend evident for most of '56.

Outlook Favorable

The business pattern, as I have outlined, must be construed as favorable, even though the gains will not be very marked, even though the trend during the year will not be uniform. As we will look back to 1957, assuming that the international situation does not explode into something more drastic than currently indicated, we will view it as a year of peak prosperity. But we will also view it as a pause in ten years of rising general business, based on record population growth, an income revolution, and a record high standard of living.

The businessman in 1957 will find himself with a greater squeeze on margins in view of the rising capacity, the higher costs, and the fact that the public, being well supplied, is in a position to buy selectively. Physical volume of goods moved in '57 will show only a slight gain.

We are currently in a full employment economy, and the problems resulting therefrom have probably been discussed by your groups. I expect in 1957 a slightly easier labor market; in fact, I expect that wage rates may not show the same rate of gain and that we may even find some increase in unemployment. However, any gain in unemployment may not be much more than the increase in the labor force. An easier force means less pressure for higher wages, but it would be foolhardy to assume more than a temporary slowing down in the rate of gain in wage rates.

Conclusion

I shall try to wrap up my comments in a quick summary.

General business in 1957 will average higher than 1956.

Assuming no worsening of the international situation, a pause is likely in the latter part of the year, even though the last quarter should still exceed the last quarter of 1956.

Production for the year may make a somewhat less favorable showing than gross national spending.

Prices will be higher, but not markedly so. Costs of living will be higher, but only nominally so.

A reversal in the Government's tight money policy may easily develop before the end of the summer, but it will not be in time to halt a slowing down in plant and equipment expenditures. It will not be in time to help the hundreds of small businessmen who continue to be squeezed. Small business mortality will gain.

Consumer spending will be sustained as a result of more liberal spending for higher priced goods. New products will play a more important part in 1957.

I do not expect that the international situation will ease sufficiently to prevent a higher trend of spending for national security.

State and local spending will be higher, but the problem of financing will continue to plague municipalities for some time.

Nineteen fifty-seven will not be a year of marked inflation or deflation. It will be a year in which the dollar will be worth a little less, but a year in which the number of dollars the average family receives will again show a gain. This gain, however, will not be as big as the one recorded in 1956 as compared with 1955.

*An address by Mr. Zelomek before the New England Council's 32nd Annual Conference, Boston.

With Hornblower Weeks

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine—Bruce W. McGhee is with Hornblower & Weeks, 436 Congress Street.

What Becomes of "Labor Savings" From New Capital Investment?

By ALLEN W. RUCKER*

The Eddy-Rucker-Nickels Company, Cambridge, Mass.

The remarkably consistent ratios of shares of production value going to labor (39.4%) and to management (60.4%), since 1899, despite tremendously increased capital investment in manufacturing, are cited by recognized New England management consultant in answering the question who gains from labor-saving investment. Mr. Rucker explains: (1) why this consistent division of the fruits of production serves as a necessary incentive to both labor and management; (2) how industry copes with wages rising faster than technological productivity—without diminishing either's share of production value—through price inflation and reduced labor time per unit of output; and (3) positive reward to industry for its added capital investment.

The question is sometimes raised as to the influence of added capital investment on the percentage of Production Value paid as wages, viz:

(a) Will not the continuous addition of labor-saving equipment cause the labor share of production of decline?

(b) If not, then do not employees receive all the benefits made by labor-saving equipment.

Allen W. Rucker

These questions are of particular interest from a general economic viewpoint and from the viewpoint of the individual firm. In both cases, the answer is "no" but it is certainly not easily apparant why this is so. Nonetheless, a review of the dynamics of the private enterprise industrial system will disclose the reasons. First, as to the facts from official records (documentation below):

For manufacturing corporations as a whole, the record shows that:

Over the long-term, 1914 to 1947, the net assets of manufacturers increased 281%, measured in constant dollars or dollars of equal purchasing power.[1]

Total output in physical volume rose 276%, or almost directly in line with the increase in real capital.[2]

Total employment in man-hours rose 44%.[2]

From these data, it is perfectly clear that output per man-hour or technological productivity must have increased enormously. The increase in productivity was 161%; its reciprocal or man-hours per unit of product declined 62%, the measure of labor-time saved per average unit of output.

The more recent or short-term record is quite similar. For instance:

For the five-year period, 1950 to 1955, inclusive, net fixed assets of manufacturing corporations in constant dollars increased 25%.[3]

Total output in physical volume increased 25%.[4]

Total employment in man-hours increased 6%.[5]

Here again in the last five years, it is clear that output per man-hour in manufacturing has increased substantially. The actual increase was 18%, representing a reduction of 15% in labor-time per physical unit of output.

Who Benefits From Labor Time Savings?

Everyone accepts as facts the two propositions, namely, that (a) we have tremendously increased the capital investment in manufacturing in this country and we have increased technological productivity per man-hour and reduced labor-time per product unit. In brief, the labor-TIME savings have been substantial, even dramatic.

Have these labor-time savings been converted into payroll-dollar savings, and the dollar savings added to the pre-tax profit of manufacturers? If not, why not? Who got the benefit of labor-time savings? We can take these questions in order.

Production worker payrolls absorb consistently a near-constant 39.395% of Production Value added to raw materials. Management's share is consistently a near-constant 60.605%. These ratios have not appreciably changed since the record began in 1899. Had the recent labor-TIME saving of 15% also accrued as dollar-payroll savings, management's share must have risen from 60.605% to 66.51% — and labor's share must have fallen from 39.395% to 33.49%. As the official record shows no such change occurred. Both percentage shares remained the same near-constants as heretofore. Hence, and however reluctantly, one is forced to the conclusion that industry as a whole makes no direct and positive payroll-savings from its almost spectacular performance in labor-TIME saving. The official record is clear enough on that point.

How possibly could this happen?

The explanation is simpler than it seems at first. Everyone is aware that hourly wage-rates have been rising almost continuously for many, many years. Obviously, the increase in wages will increase labor-costs per unit of product and offset some or even all of the gain in labor-TIME saving. Here, again, the official record orients our thinking. It is this:

During the 1914-1947 period, wage rates advanced 455%; the gain in producitvity per man-hour was 161%.[2]

During the five years, 1950 to 1955, wage rates advanced 29%; the gain in productivity was 18%.[4]

As far back as records are available, wage-rates have been advancing faster than technological productivity per man-hour. Wage-rate increases far more than offset the rate of reduction in man-hours per unit of output. The natural outcome, familiar to everyone, is that labor-costs rise persistently and steadily, despite labor-TIME saving.

If one assumes, for the moment, that there were no improvements whatever in efficiency and productivity, then obviously labor-costs per unit of product would tend to rise at the same rate as wages. In that case, management's sole recourse would be to advance its prices as much as wages increase. Otherwise, "management's" percentage share of Production Value would decline, while that of labor rises.

"Wage-Price Spiral"

However, it is common knowledge and experience that the prices of manufactured goods have been rising in what is known as the "wage-price spiral." The actual rise in the official Index for manufactured goods between 1950 and 1955 was 12%. The increase raised Production Value correspondingly, of course. But that increase is less than one-half of the rate of increase in wage rates. In other words, had nothing else occurred except the 29% increase in wage rates and the 12% in prices, industry would have suffered a 15% labor-LOSS. The loss would reduce "management's" percentage share, and would raise "labor's" percentage share. Actually that did not occur.

It did not occur because industrial management succeeded in reducing labor-time per unit of output by 15%, and thereby avoided the labor-LOSS. In other words, labor Time-saving in industry produces a **negative** form of profit, i.e., it avoids a loss that otherwise would occur. This avoidance of a loss is just as real, if not quite so satisfactory, as any other form of profit. It is even more essential to the immediate health and well-being of industry than a positive profit.

This explanation is good as far as it goes but it still leaves unanswered the question of who got the direct benefits from labor-saving.

The answer is that the consumer (including labor) and industry got the benefits.

The consumer gains by reason of an increase in the buying power of wages, salaries and other forms of income. For illustration, we need only to note that a rise of 29% in factory wage rates as compared to a rise of 12% in prices, increases wage-purchasing power by 15%. Other consumers who had an increase in income greater than the increase in prices likewise benefitted by a gain in purchasing power for manufactured goods.

Aids Marketing Increasing Output Volume

In fact, were it not for a gain in the purchasing power of earned incomes, it would not be possible for industry to market an increasing volume of output and thereby help to lift our **per capita** scale of living.

As it was, industry enjoyed a noteworthy increase in its volume of goods sold. Between 1950 and 1955, the Federal Reserve Board Index of Factory Output rose 25%.[4] This expansion of volume rewards industry for its added capital investment in a very positive way. For example: The increases during the 1950 to 1955 period are shown by the following official figures for manufacturing corporations:

(a) Gross Manufacturing Margin **after paying labor costs** an increase of $14.78 billions.[2]

(b) Depreciation and amortization of new capital investment, an increase of $2.8 billions.[3]

(c) Pre-tax profit increased $4.6 billions.[3]

The gain in pre-tax profit came almost entirely from an increase in volume, and hence gross margin, at a rate much faster than the rise in depreciation and amortization costs of added capital facilities.

Upon reflection, this is about what one would expect and it is what actually happens. Manufacturing industry as a whole receives a positive and merited reward for making new capital investment. It does gain from new capital investment that improves the labor productivity rate. It is that improvement along with better methods and teamwork which **prevents costs and also competitive prices from rising as fast as wage-rates.** The resulting gain in the purchasing power of wage and salary incomes stimulates the expansion of industrial volume and a rise in income greater than the added cost of new capital investment. That is the major source of increased profits stemming all the way back to labor-time saving and technological improvements.

Labor and Management Incentives

Not the least remarkable fact about this entire process is the fact that the incentives to progress for both "labor" and "management" remain constant and durable.

Labor's consistent percentage share of ever-rising Production Value is a durable and predictable incentive to utilize improved equipment and better methods of production. One cannot believe that the intricate modern industrial system could go on expanding if that share were steadily diminishing. Moreover,

Management's consistent percentage share of ever-rising Production Value is a durable and predictable incentive to provide improved equipment and better methods of production, to encourage better teamwork and cooperation from employees. One cannot believe that management, any more than labor, would continue its activities if its share were steadily diminishing.

The ethical or moral fact is that for both "parties" the incentives are constant and durable. This is surely a predominant if not the basic reason why the American private competitive enterprise system retains its vitality and why it can continue its growth decade after decade.

*From a talk by Mr. Rucker before the Fifth International Executives Conference on the Rucker Plan, New York City.

1 U. S. Treasury Dept. figures adjusted to constant dollars.

2 U. S. Census of Manufactures, detailed in our Report PROGRESS IN PRODUCTIVITY AND PAY.

3 Securities Exchange Commission figures adjusted to constant dollars.

4 Federal Reserve Board Index of Production.

5 Bureau of Labor Statistics, U. S. Dept. of Labor.

Cultivating Women as Stock Buyers

Patience by salesmen, employment of "customers women," and "counseling" services for women, are some of the suggestions offered by Arthur M. Krensky in order to increase the number of women customers.

Brokerage houses must stop acting stand-offish or indifferent to women customers and start learning more about feminine temperament and psychology, according to the President of a leading stock-brokerage firm.

A. M. Krensky, Jr.

In a year-end statement, Arthur M. Krensky, Jr., President of Arthur M. Krensky and Co., Inc., asserted that it's time brokers started to capitalize on the statistical data showing that women outnumber men as investors. He said it was imperative for securities salesmen to scrutinize the whys and hows of women's stock-buying motives and habits.

"Women are not fickle stock customers," said Mr. Krensky. "They're as faithful and loyal to their choices as to their families." "But," he added, "they like to shop around first."

More Patience Required

Krensky stated that security salesmen must be more patient with a woman than with a man, must tolerate her initial hesitancies and time-consuming vacillations. "Just as a woman never makes up her mind until she's tried on half the hats at the counter, so she's just as choosy about stock-shopping. She wants to study all the angles, soak up as much sideline advice as possible. Whether she's shopping for lingerie or dividends, she likes to 'get the feel' of what she's buying before settling on her choice."

Krensky said that women's concrete mindedness and family-mindedness enable them to associate companies with the commodities they produce. "Women," he said, "have an immediate reaction to what they can see and feel — they envision the corner gas station as the petroleum industry; their favorite department store as the family corporation; appliances, detergents and food products become friendly spokesmen for the corporations they represent. Women like to think of companies as family units. They invest them with emotional feeling and identify them as 'corporate personalities'."

Television commercials with institutional messages are good salesmen for the female would-be investor," said Krensky. "Because they intimately link the product with the surrounding corporate personality, such advertisements endow the company with a "family aura," instill confidence and encourage the distaff desire for "belongingness," Krensky explained.

"Securities salesmen would do well to follow this TV trend and explain stocks to women in much this manner. When a woman owns stock, she feels she is a real part of the company's family picture. Industrials, rails, oils, farm equipment, chemicals—all can be dramatized in the particular terms appealing to a woman," Krensky said.

According to Krensky, there are several ways in which brokerage firms can make a special bid for the women's vote of confidence in 1957. First, they can hire more "customers' women." Second, they can instruct their customers' men in the psychology of wooing the distaff side to the securities market. Third, they can offer more "counseling" services for women.

Krensky announced that his Chicago headquarters office will hold special seminars for housewives during 1957 to encourage understanding of the market. He stated that since housewives and non-working women represent the largest shareowning segment of the population, inauguration of lecture-discussion classes would be an educational overture to women's tremendous potential as investors.

Thomson McKinnon to Admit New Partner

CHICAGO, Ill. — Carl F. Krebs on Jan. 1st will become a partner in Thomson & McKinnon. He will make his headquarters in the Chicago office, 231 South La Salle Street.

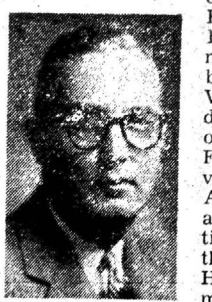
Vietor, Common, Dann To Admit Partners

BUFFALO, N. Y. — On January 1st H. Cowles Wadsworth, H. Carl Bodell, Gerald B. Diem, David D. Kennedy and Robert C. Common, Jr. will become partners in Vietor, Common, Dann & Co., Ellicott Square Building, members of the New York Stock Exchange.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

John L. Gibbons has been elected Executive Vice-President of **Chemical Corn Exchange Bank of New York**, it was announced on Dec. 14, by Harold H. Helm, Chairman. Mr. Gibbons has been Vice - President in charge of the bank's Fiduciary Division since April 1955 and will continue to head that division. He is Chairman of the bank's Trust Investment Committee, the Advertising Committee and the Staff Benefits Committee. Mr. Helm also announced the election of eight Assistant Vice-Presidents: Thomas DiDominica, Operations Division; Rudolph Berdac, International Division, and Richard C. Ginglen, David L. Mitchell, Kenneth Porter, Rudolph Kadlec, Philip Muller, Jr. and Winroe B. Reed, all of the Metropolitan Division.


John L. Gibbons

Mr. Gibbons began his career with Chemical Bank in 1929, becoming Vice-President in 1949. He is a member of the Executive Committee of the Trust Division of the New York State Bankers Association and Chairman of the Committee on Employees' Trusts of the American Bankers Association.

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Horace C. Bailey, Mercer C. Macpherson, James B. Richardson and Clifford D. Wooster, former Assistant Vice-Presidents, have been elected Vice-Presidents of **Chemical Corn Exchange Bank of New York**, it was announced on Dec. 17, by Harold H. Helm, Chairman. Messrs. Bailey, Macpherson and Richardson are affiliated with the bank's National Division with headquarters at 165 Broadway. Mr. Wooster, associated with the Metropolitan Division, is in charge of Chemical Corn Exchange Bank's Columbus Circle Office at 57th Street and 8th Avenue.


Horace C. Bailey


M. C. Macpherson


James B. Richardson


Clifford D. Wooster

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Frank O. Brand and Lincoln Paige have been elected Vice-Presidents of the **Empire Trust Company of New York**, it was announced on Dec. 14, by Henry C. Brunie, President of the institution. Mr. Brand, who is also a Vice-President of the bank's affiliate, **Empire Safe Deposit Company**, is a Past President of the **New York State Safe Deposit Association** and had served as Co-Chairman of the Association's Legislative Committee for several years. In the banking educational field, Mr. Brand lectured for several years at the graduate school of Banking conducted by the American Bankers Association at Rutgers University.


Frank O. Brand


Lincoln Paige

Mr. Paige joined **Empire Trust Company** in 1950 as a security analyst and investment manager. After graduating from the Massachusetts Institute of Technology with the degree of bachelor of science in business and engineering administration in 1935, Mr. Paige was associated for varying periods with Congoleum-Nairn Inc., the old **Brooklyn Trust Company** and **Rockefeller Brothers Inc.**, coming to Empire Trust from the last named concern.

* * *

The appointments of Robert F. Tardio and Stephen L. Gaillard as Assistant Treasurers of **Manufacturers Trust Company of New York**, are announced by Horace C. Flanigan, Chairman of the Board. Mr. Tardio joined Manufacturers Trust in 1953. He is a member of Bank Credit Associates of New York. Mr. Gaillard joined Manufacturers Trust Company in 1953. At present, both men are assigned to the domestic department located at the bank's main office, 55 Broad Street.

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Directors of **Amalgamated Bank of New York** have voted to raise the capitalization from $1,400,000 to $2,000,000 and the surplus from $1,600,000 to $2,000,000.

* * *

The Hanover Bankof New York, announced on Dec. 17, the election of eight new Vice-Presidents: viz. Donald W. Baker, City Division; Alfred R. Clark, 72nd Street Office; Warren H. Eierman, Personal Trust; George H. Haslam, Robert H. Pettit and Charles E. Woodruff, Out-of-Town Division; George S. Morton, Jr., Operations; and Gordon A. Watson, Chrysler Office. All were formerly Assistant Vice-Presidents.

Appointed Assistant Vice-Presidents are Francis J. Henkel, Church Street Office; Llewellyn Jenkins, Out-of-Town Division; Gould Jennings, Administration; Durancy C. Merrick, Rack; James J. Murray, Rockefeller Center Office; William A. Wells, Personal Trust; Arthur H. Yoepp, Public Relations.

* * *

Joseph Pulvermacher, President of **Sterling National Bank & Trust Company of New York**, announced on Dec. 17, the promotion of Henry F. Gorring to Assistant Comptroller. He was formerly Assistant Cashier. Mr. Pulvermacher also announced the appointments of Anthony P. Ragano, Samuel Pickar and Charles F. Higgins as Assistant Cashiers.

* * *

Union Dime Savings Bank of New York, will return in January, 1957, to figuring dividends from day of deposit, according to an announcement made Dec. 11 by J. Wilbur Lewis, President of the bank. During the past year the bank has computed dividends from the first of each calendar quarter. In commenting on the change to day of deposit, Mr. Lewis said:

"Although deposits have increased in 1956, our experience during the past year has shown that many depositors are discouraged from saving systematically unless their money begins earning dividends the day it is deposited. The actual difference in the dividend between figuring it from the first of the quarter and day of deposit may amount to very little in many cases, but there is a real psychological difference in the minds of depositors. So, after studying the matter for some time, the Board of Trustees voted to return in January, 1957, to figuring dividends from day of deposit."

Union Dime will continue to credit and compound dividends semi-annually on Jan. 1 and July 1. The dividend for the six months ending Dec. 31, 1956 has been declared at the rate of 3% a year.

* * *

The Williamsburgh Savings Bank, Brooklyn, N. Y., has promoted Matthew A. Szekowski and Albert W. Kellett, assistant cashiers, to assist Vice-Presidents. Robert J. Hand was appointed an assistant cashier and Allan G. Viehhaeuser an assistant comptroller.

* * *

A group headed by Blair & Co. Incorporated and Shields & Company is offering 76,228 shares of **State Bank of Suffolk, Riverhead, N. Y.**, capital stock at $17.50 per share.

Other members of the syndicate are: Hayden, Stone & Co.; Francis I. DuPont & Co.; Grimm & Co.; Hirsch & Co.; Hallowell, Sulzberger & Co.

The shares were initially issued to the shareholders of **Suffolk County Trust Company of Riverhead, N. Y.**, pursuant to a plan of merger between that bank and the State Bank of Suffolk. This merger has been approved by the directors and stockholders of both banks and also by the various regulatory bodies.

The merged bank has five offices located in Amityville, Bayshore, Brentwood, North Lindenhurst and Riverhead.

* * *

Announcement is made that the recent offering to stockholders of the **Long Island Trust Company of Garden City, L. I., N. Y.**, of 14,000 additional shares of capital stock, of $10 par value, at $32 per share to holders of record Nov. 16 on the basis of one new share for each eight shares held, has been oversubscribed. Basic subscriptions were received for 13,462 shares, while oversubscriptions totaled 2,012 shares; rights to subscribe expired Dec. 14. The offering was underwritten by A. M. Kidder & Co. of New York. Reference to the plans to increase the bank's capital appeared in our Dec. 6 issue, page 2410.

* * *

Harold J. Marshall, President of **National Bank of Westchester, White Plains, N. Y.**, announced on Dec. 14, the promotion of Robert E. Richardson, Jr., Manager of the bank's Peekskill Office to Vice-President and Regional Manager of the Peekskill area. Mr. Marshall also announced the election to the office of Assistant Cashier of the bank of Roger G. Wentworth, Manager of the bank's Central Avenue Office in White Plains, and W. Harold Le Count, Manager of the bank's office in Bedford Hills. The promotion and elections took place at the monthly meeting of the bank's directors on Dec. 13. Mr. Richardson formerly was associated with the then **National City Bank of New York** and the **Fidelity Title & Trust Company of Stamford**. He has been assigned to the Peekskill Office since May of 1955.

Mr. Wentworth has been associated with banking for many years, and has been Manager of the Central Avenue Office since its opening in May of this year. His previous banking experience includes the former **Bank of Manhattan Company** and the **Sterling National Bank**, both of New York. Mr. Le Count has been with **National Bank of Westchester** for over 33 years, and has been Manager of the Bedford Hills Office since its opening in February of this year. A specialist in credit and loan work, he was formerly head of the Commercial Loan Department in both the New Rochelle and the White Plains Offices.

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A 5% stock dividend has been recommended for stockholders of **The County Trust Company of White Plains, N. Y.**, by the bank's board of directors, according to an announcement made Dec. 17 by Andrew Wilson, Chairman of the Board. Similar recommendations have been made each year since 1952 and were approved by the stockholders. The dividend will be in the ratio of one new share for each 20 shares of County Trust stock now outstanding and will be distributed immediately following the approval of the stockholders. The proposal will be presented to the stockholders at their annual meeting on Jan. 16, Mr. Wilson said. If approved, it is planned to transfer sufficient funds from reserves and undivided profits to increase the stated capital funds to more than $25 million. Mr. Wilson pointed out that any stock dividend will be in addition to the cash dividend which has been paid quarterly for a period of years. The bank has paid a total of 184 consecutive cash dividends.

Mr. Wilson further stated that the understanding with **The First National City Bank of New York**, looking toward the formation of a holding company, contemplates that if, before the consummation of the plan, The County Trust Company decides to pay a stock dividend, similar action may be taken by The First National City Bank or other appropriate adjustments made so that the relative positions of the stockholders of the two institutions will remain the same as they were on Oct. 18, 1956 when the understanding was approved by the two boards of directors.

* * *

Three bank managers and one department head have been promoted to Assistant Treasurers of **The County Trust Company of White Plains, N. Y.** They are Thomas J. Dunnings, who manages the Yorktown Heights office; William R. Roane III, who is in charge of the Irvington office; Alfred E. Wallinger, manager of the office at 333 South Fulton Avenue in Mount Vernon; and Donald S. Sobwick, who heads the bank's loan collection department.

Mr. Dunnings has been with The County Trust Company since 1947, having previously been employed by **The Fifth Avenue Bank of New York** for 13 years. Mr. Sobwick has been a member of The County Trust Company's staff since 1946. Mr. Roane has been a member of The County Trust Company's staff since 1950 and has managed the Irvington office since April, 1956. Mr. Wallinger has been with The County Trust Company since 1941 and has been manager of the office at 333 South Fulton Avenue in Mount Vernon since June, 1955.

* * *

Following the sale of new stock to the amount of $115,000 the **Newport National Bank of Newport, R. I.**, has increased its capital from $230,000 to $345,000. The enlarged capital became effective Nov. 13.

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On Jan. 8 the stockholders of the **National Union Bank of Dover, N. J.**, will act on a proposal by the directors for the payment to stockholders of a 25% stock dividend. The date is that of the bank's annual meeting it is noted in the "Newark Evening News" of Dec. 6, from which we also quote as follows:

"If approved, the dividend will increase the bank's capital from $500,000 to $625,000, and the number of its outstanding $20 par value shares from 25,000 to 31,250. Funds representing the par value of the new shares will come from the bank's undivided profits."

* * *

Francis P. Burns, President of **The Beneficial Saving Fund Society of Philadelphia**, was honored by the Board of Managers at a dinner held at the bank's main office on Dec. 13. Ignatius J. Horstmann, Senior Member of the Board of Managers, presented a testimonial plaque to Mr. Burns, in recognition of his 40 year association with Beneficial. Beneficial, founded in 1853, is one of Philadelphia's leading Mutual Savings Banks, maintaining eight offices and with assets exceeding $170,000,000. Mr. Burns began his association with Beneficial on Dec. 2, 1916, as a stenographer. He worked his way up through various positions — namely, Assistant Treasurer, Secretary, Vice-President, Treasurer, Senior Vice-President, member of the Board of Managers, and was elected President in 1952. He is credited with strengthening the Society's financial structure, vitalizing new services to the public, and contributing to the bank's growth by initiating advertising and public relations activities among savings banks. Mr. Burns is a director of the Tradesmens Bank and Trust Company, a member of the Procedures and Practices Committee of the Pennsylvania Bankers Association, the Financial Public Relations Association, Chicago, and the American Institute of Banking. In 1940, he founded and became first President of the Philadelphia Mutual Savings Banks Conference Group. In May, 1956, he was elected to the Council of Administration of the National Association of Mutual Savings Banks. Mr. Burns is a member of the President's Committee of Notre Dame University, a trustee of Immaculata College, St. Charles' Seminary, Overbrook, etc.

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Mervin B. France, President of the **Society for Savings and Society National Bank of Cleveland, Ohio**, on Dec. 12, released plans on the Society's new branch in the Parma Heights Center, a shopping center in a suburb of Cleveland. Construction of the branch will begin soon with completion and opening expected in early spring. Under Mr. France's leadership, the Society has continued to expand. Since 1953, the Society has opened eight new branches in keeping with their policy of taking its many services to the people. The Parma Heights Branch becomes the Society's tenth office. It was also under Mr. France's leadership that Society for Savings, one of the nation's oldest mutual savings banks, earlier this year formed **Society National Bank** as a wholly-owned subsidiary to offer commercial banking services to industry and the public. Society's Parma Heights

Branch will be constructed to offer maximum customer service and convenience. A community room will be constructed in the branch to be available for neighborhood group meetings. The branch will have over 5,000 square feet; the officers' area, where new accounts are opened and loan applications are received will offer customers privacy and comfort. Employee facilities, including a completely furnished lunch room will also be available; drive-in banking will be available; among the conveniences to be offered depositors drive-in banking will make it possible for customers to bank without leaving their cars. Free parking will also be available for bank customers. Checking accounts for individuals or businesses will be available at this branch; the branch will also have mortgage loan service, Society's Loan Plan Service, and other bank services.

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Dana Rumsey Plumb, 34-year old President of Fayette R. Plumb, Inc., has been elected to the Board of Directors of **The Second National Bank of Philadelphia.** Fayette R. Plumb, Inc., nationally known for manufacturing of home and industrial tools, is this year celebrating its 100th anniversary. Since its founding in 1856, it is stated, there have been three Presidents, each one a member of the Plumb family.


Dana Rumsey Plumb

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The Comptroller of the Currency at Washington, D. C., announces that **The Farmers National Bank of Bucks County of Bristol, Pa.,** with common stock of $687,500; and **Roosevelt Bank of Philadelphia, Pa.,** with common stock of $225,000, were merged with and into **Fidelity-Philadelphia Trust Company of Philadelphia, Pa.,** under the charter and title of "Fidelity-Philadelpnia Trust Company," effective as of the close of business Nov. 9, in accordance with the statutes of the United States and the laws of the State of Pennsylvania. The Farmers National Bank of Bucks County was operating five branches. Plans for the merger of the Farmers National Bank of Bucks County with the Fidelity-Philadelphia Trust Co. were noted in our Nov. 22 issue, page 2200.

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Directors of the **Harris Trust and Savings Bank, Chicago,** promoted three officers to the newly created position of Senior Vice-President at their Dec. 12 meeting. The new Senior Vice-Presidents are Burton A. Brannen, Donald P. Welles, and Vincent Yager, all long time officers of the Harris Bank. Delbert N. Urick was named Vice-President and Auditor. Two out-of-town representatives, Clark Cox in St. Louis and MacBoyle Lewis in San Francisco, were promoted to Vice-Presidents. Other appointments announced by Kenneth V. Zwiener, President, include new Assistant Vice-Presidents Laurence R. Cooper and Horace M. Moderwell in the Trust Department; Norman A. Corban, Personnel Department; Walter B. Dow, Credit Department; and Gregg A. Hunter, Banking Department. Willam Cowley was named Assistant Cashier in the Banking Department and John Barney was named Assistant Auditor.

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Following an addition of $500,000 to its capital by a stock dividend of that amount, the **Lake Shore National Bank of Chicago, Ill.,** has increased its capital from $1,500,000 to $2,000,000 effective Dec. 5.

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Frank Fuchs, Vice-President of the **First National Bank in St. Louis,** will retire under the bank's pension plan on Feb. 1, next, after a 48-year career which includes 20 years in the correspondent banking field. Mr. Fuchs started in the banking business in 1908 with the old **Third National Bank of St. Louis.** He served that institution in various capacities until it merged with the **Mechanics-American National** and **St. Louis Union Bank** in 1919 as the **First National Bank in St. Louis.** He was appointed manager of Advertising and Public Relations of the bank at the time. He is a former Vice-President and director of the St. Louis Advertising Club and a former Vice-President and director of the Financial Advertisers Association, now known as the Financial Public Relations Association. Mr. Fuchs also served the Missouri Bankers Association for a number of years as Chairman of the Committee on Public Relations and Education. He was appointed territorial representative of First National Bank in 1936 in the Midwest. In 1948 he was promoted to Vice-President in charge of the bank's Kansas, Colorado, Iowa, Nebraska, Minnesota and Wisconsin territory. Later he was assigned additional territory on the West Coast.

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Six officers of **First National Bank in St. Louis,** have been advanced to the rank of Assistant Vice-President, according to William A. McDonnell, President. The officers promoted are: Kenneth H. Brune, Manager, Industrial Service Department; Jefferson L. Miller, Oren F. Miller, Jr., Walter Moser, Joseph Orlando and Eugene R. Wilhelm, Assistant Cashiers. Louis A. Ruebling, of the Transit Department was appointed Assistant Cashier.

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First American National Bank of Nashville, Tenn., elected F. Murray Acker as a director, and Peter B. Curlin as a Vice-President.

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The American National Bank of North Miami, Fla., reports a capital of $600,000 as of Dec. 4, the amount having been increased from $500,000 by the sale of $100,000 of new stock.

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The First National Bank in Palm Beach, Fla., plans to pay a stock dividend as well as a cash dividend, according to information received from its President, Wiley R. Reynolds, Jr. The Board of Directors at its regular monthly meeting Dec. 14, declared a cash dividend of 75 cents per share as well as a special dividend of 15 cents per share for the semi-annual period ending Dec. 31, payable Dec. 28 to holders of record Dec. 18. The directors also declared a stock dividend of 20%, subject to approval by the Comptroller of the Currency and its stockholders at their next annual meeting, to be held Jan. 24. In addition, an increase in authorized capital will be provided through the immediate transfer of $500,000 from undivided profits to surplus. This wll result in capital of $1,200,000 comprised of 120,000 shares of $10 par value and a surplus account of $2,800,000. It is anticipated that even with the increased number of shares that will be outstanding, there will be no change in the $1.50 per share dividend paid since 1946. Further action taken by the directors on Dec. 14 included an increase in the contribution to employees Profit Sharing-Pension Plan from $20,000 to $30,000 per year, and also included an approval of the usual year-end Christmas cash bonus to members of the staff.

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Idaho's Governor Robert E. Smylie officially opened the new building of the **First Security Bank, Boise, Idaho,** on Dec. 17 with a tribute to First Security's leadership "for the good you have contributed to our economy."

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An agreement has been reached for the merger of the **Antelope Valley Bank, Lancaster,** into the **California Bank, Los Angeles,** it was made known in a joint announcement by Frank L. King, President of California Bank, and H. C. Gauger, President of the Antelope Valley Bank. The agreement has been approved by the boards of both banks and now is subject to the approval of stockholders, the announcement stated. California Bank presently has 54 offices in Los Angeles and Orange Counties. Resources of Antelope Valley Bank total more than $7,000,000. California Bank has resources of over $900,000,000. Subject to approval by stockholders, the merger is expected to be completed about Jan. 11. The merger is not expected to result in any change in personnel of the Antelope Valley Bank, Mr. King stated. Harry C. Gauger, President, will become a Vice-President of California Bank. H. W. Schafer, Chairman of the Board, will become Chairman of the Advisory Committee.

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The directors of **The Bank of California at San Francisco,** meeting at the bank's new Oakland office on Dec. 11, elected Frank A. Rees and Alfred J. Mayman to the newly created post of Senior Vice-President. Prior to the change, Mr. Rees was Vice-President and Senior Loan Officer and Mr. Mayman was Vice-President and Cashier. Mr. Rees, was serving as National Bank Examiner when he was elected Vice-President of the bank in January, 1948. Mr. Mayman joined the bank in 1921, was elected Assistant Cashier in 1940, Vice-President in 1946 and has served as Vice-President and Cashier since August, 1953. Paul N. Grange, Assistant Vice-President, moves up to Vice-President. A veteran of 37 years service with the bank, Mr. Grange was appointed Assistant Cashier in 1946 and Assistant Vice-President in 1949. G. Harry Hutaff advances to Cashier from Assistant Vice-President and Operations Officer. He came to The Bank of California in August, 1951 after serving with the Bank of Hawaii as operations analyst. He was appointed Assistant Cashier Dec. 23, 1952 and Assistant Vice-President in December, 1953. New Assistant Vice-Presidents are Neil C. Breslin, Carter L. Larsen and Wilbur E. Schmitt. Mr. Breslin is manager of the Real Estate Loan Division and has been with the bank since 1924; he has served as Assistant Cashier since January, 1949. Mr. Larsen is attached to the Business Development section of the bank. Mr. Schmitt joined The Bank of California in 1939. He has served as Assistant Cashier and Loan Officer since September, 1952. Robert K. Jaques was elected Assistant Cashier. He joined the staff in February, 1947 and has been Advertising Manager since January, 1949. Glen K. Mowry was elected Assistant Trust Officer. Prior to joining the bank earlier this year, Mr. Mowry was associated with an accounting firm. At the time of his appointment, he was serving as Trust Department Operations Supervisor.

At the bank's Portland, Oregon office, Kenneth C. Hume, Assistant Cashier, was elected Assistant Manager, and Richard L. Wells advanced to Assistant Cashier. Mr. Hume joined the Bank of California in April, 1947. He was elected Assistant Cashier in January, 1956. Mr. Wells has been a member of the Portland office staff since June, 1942. All appointments are to become effective Jan. 1, 1957.

At the same meeting the directors declared dividend No. 416 of 60 cents a share payable Jan. 15, 1957 to shareholders of record as of Jan. 8, 1957.

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Election of Charles Detoy to the board of directors of **California Bank of Los Angeles,** has been announced by Frank L. King, President. Mr. Detoy is a general partner in the firm of Coldwell, Banker & Co. He is a director of the Los Angeles Branch, Federal Reserve Bank of San Francisco, director and Past President of the Los Angeles Chamber of Commerce, etc. Mr. King also announced the election to Vice-Presidents of Robert S. Clarke, Lyston G. Jaco, and Golden R. Larson in the trust department. Additional appointments in the trust department raised W. H. Light and H. A. Shircliffe to Trust Officers and Alfred Eckhardt to Assistant Vice-President. Seven members of the bank's commercial staff elected Assistant Vice-Presidents included R. C. Corbaley, R. M. Gough, R. F. Hawkins, R. W. Starr, Fred H. Tichenor, E. S. Vojacek, and R. A. Wenzel. Elected Assistant Cashiers were S. C. Bamford, E. C. Carris, Jr., T. E. Darnell, H. E. Erke, W. A. Frome, Jr., Thomas Hill, Donald Hubbard, V. A. Ingraham, W. H. Patterson, Glenn L. Pearce, and R. E. Rowton.

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Neil J. McKinnon, President of **The Canadian Bank of Commerce, Toronto, Canada,** has announced the appointments of J. P. R. Wadsworth, T. L. Avison and M. C. C. Ross as general managers at the Bank's head office in Toronto.

Mr. Wadsworth will be in charge of administration and credits. Joining in 1928, he served in a number of Toronto branches and held important posts as assistant manager and manager. Following appointment as superintendent in Calgary in 1950, he was appointed assistant general manager, Quebec division in 1955.

Mr. Avison has had widespread experience in the insurance and investment fields with the Sun Life Assurance Company of Canada. He resigned as associate treasurer of that company to join The Canadian Bank of Commerce in 1955. In his new capacity as general manager, Mr. Avison will be in charge of investments.

Mr. Ross, with the bank since 1929, served in a number of branches in Toronto before joining the credit department in 1948. Since that time he has been assistant inspector, head office; inspector, credit department, Ontario region and assistant manager, investment department, head office. He was recently appointed an assistant general manager. As general manager, he will be in charge of the bank's business development activities.

E. R. Weston Opens

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Eliot R. Weston is engaging in a securities business from offices at 1 Lincoln Road Building.

Form Mutual Funds Sales

(Special to THE FINANCIAL CHRONICLE)

LA HABRA, Calif. — Mutual Funds Sales and Services, Inc. has been formed with offices at 424 East Central Avenue to engage in a securities business. Officers are Bernard J. McGuire, president; Robert P. Lawton, vice president; and Ysabel Prendiville, secretary-treasurer.

Gellermann Named to Knickerbocker Hosp.

The election of Henry Gellermann as a member of the board of trustees of Knickerbocker Hospital, 70 Convent Avenue, New York, was announced by Murray Sargent, president of the hospital. Mr. Gellermann is director of advertising and public relations for the investment firm of Bache & Co.


Henry E. Gellermann

Rose Marie Reid Stock Offer Oversubscribed

Van Alstyne, Noel & Co. headed an underwriting group which on Dec. 17 offered 250,000 shares of Rose Marie Reid common stock at a price of $9 per share. Of the total number of shares offered 80,000 shares are being sold for the account of the company, and 170,000 shares, issued and outstanding, are being sold by certain selling shareholders.

The offering was quickly oversubscribed and the books closed.

Net proceeds to be received by the company from the sale of the 80,000 shares of stock will be added to its general funds and will be available for general corporate purposes. Such purposes may include the payment of short-term bank loans, financing of the expansion of facilities and the acquisition of additional machinery and equipment.

Rose Marie Reid, incorporated in California in 1946, is engaged in the design, manufacture and sale of swimsuits for women. Sales of the company have grown consistently over the years and in the fiscal year ended Aug. 31, 1956, reached an all-time high of approximately $12,000,000, representing more than 1,000,000 women's swimsuits. In its initial year ended Aug. 31, 1947, the company had sales of less than $500,000. The company is today considered one of the fashion leaders in the apparel industry and its trade name of Rose Marie Reid has become famous in the women's swimsuit field throughout the United States as well as in other parts of the world.

For the year ended Aug. 31, 1956, the company and its subsidiaries had consolidated net sales of $11,933,767 and consolidated net income of $739,197.

Forms Mac Elrod Assoc.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Mac Elrod is engaging in a securities business from offices at 420 Lincoln Road under the firm name of Mac Elrod Associates.

With Craigmyle, Pinney

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla. —Roger E. Montgomery is now with Craigmyle, Pinney & Co., 128 East Park Avenue, South.

Goodbody Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Walter F. Lewandowski has become connected with Goodbody & Co., 14 Northeast First Avenue.

Continued from page 7

An Insight Into the Money Market And the N. Y. Federal Reserve

nevertheless attend these meetings regularly by invitation and participate in the discussions on the same basis as the 12 Committee members, with the sole exception that they have no vote on matters requiring a vote. Thus the Committee obtains a first-hand report on conditions in each of the 12 Federal Reserve Districts. During the periods between meetings, the seven Governors and the 12 Presidents are of course pursuing their various other duties, but they are also preparing for the coming deliberations of the Federal Open Market Committee by observing the results of policies stablished at previous meetings, gathering new economic data, and continually reviewing their judgments of past decisions and current events. In New York, for example, our senior officers gather at least once each week to review important developments, and we have another special meeting of officers a few days in advance of each Federal Open Market Committee meeting for the special purpose of discussing the current state of business and credit conditions, Treasury finance, and related matters, and what type of credit policy seems best suited to this state of affairs.

At each Federal Open Market Committee meeting the procedure is to have the Manager of the System Account, who is also Vice-President in charge of the Securities function at the New York Reserve Bank, lead off with any observations he may wish to make on what has actually happened in the Account and in financial markets in general since the last meeting. He will already have furnished each member of the Board of Governors and each President with special written reports that are complete through the close of business on the preceding day. Thereafter two of the senior staff members of the Board of Governors present a comprehensive and detailed summary of current business and credit conditions in the country as a whole. After this the Chairman, following such introductory remarks as he considers appropriate on domestic of foreign developments, calls on each President and each Governor, in turn, to give his appraisal of the current situation and to state his views concerning appropriate policy in the circumstances. Customarily the President of the New York Reserve Bank is called on first, and, because of the location of the Bank in the country's money center, I usually talk of business and credit developments and expectations in national terms, and of the open market and other Federal Reserve policies I would consider appropriate in the light of those developments. The other Presidents usually start off with comments on conditions in their particular districts and they, too, give their views as to credit policy. Likewise each member of the Board of Governors states his opinion concerning the appropriate policy after discussing any particular developments in the country's economy which appear to him pertinent. Generally the last man to comment is the Chairman of the Federal Open Market Committee, who is of course also Chaiman of the Board of Governors. He summarizes this own appraisal of the situation and then undertakes the difficult task of pulling together the threads of all preceding discussion and expressing the consensus of the meeting in terms of, first, how the directive to the New York Bank should be worded, and, second, what specific actions are called for in the way of open market purchases or sales or other credit control measures — perhaps mentioning, for example, the possibility that consideration may be given to discount rate changes by the various Reserve Banks, or to changes in reserve requirements by the Board of Governors. The Chairman then gives all present a chance to state whether they agree with his understanding of the consensus. The Manager of the System Account is asked whether the instructions are sufficiently explicit to enable him to carry out the Committee's wishes effectively, an at this point the Committee has an opportunity to convey to the Manager any nuances of policy which they think should be kept in mind.

I have been greatly impressed by the effectiveness of this whole procedure in bringing together a variety of disinterested and objective views on our country's economic conditions and problems, and then in deriving from these a reasoned consensus as to monetary and credit policy. Often the opinion of any one member is not yet crystallized when he arrives at the meeting, and it may well be modified during the meeting by his process of give-and-take. On the other hand, I think it is pretty clear that with 19 well-informed people having a full opportunity to present their views, on the basis of data assembled by able staffs throughout the System, it would be quite impossible for any one man holding an extreme position to dominate the Committee and dictate the Committee's conclusions. Indeed, the thinking of any one man may not be fully in accord with the consensus; the consensus is acceptable because it is a fusing of all the views, and it provides a workable basis for operations. Over time, such a consensus is bound to be far more reliable than the occasional flash of insight that a single individual might produce.

I have been struck by the degree of harmony which has been achieved in this whole procedure. It has almost always been possible, without even the formality of a vote, to reach a consensus through the give-and-take of reasoned discussions.

As I have already indicated, the general conclusions of the Committee as to credit policy are set forth in the directive issued to the Federal Reserve Bank of New York. The directive is amplified by the statement of the consensus and by the full discussion, all of which are of course noted in the Committee's minutes. From this point on, and until the next Federal Open Market Committee meeting, the primary responsibility for conducting open market operations is in the hands of the Federal Reserve Bank of New York, acting in accordance with the instructions of the Committee. With the country's money market and securities markets centered in New York, most open market operations must necessarily be executed there, but I would like to stress that the New York Bank is acting at all times for the System as a whole on the instructions of the Committee and is at all times responsive to the Committee's wishes. In my capacity as a member and Vice-Chairman of Federal Open Market Committee, I am in a position to help interpret the Committee's wishes to the Manager, and he himself has of course been present at the last meeting when he was specifically instructed on the varied detailed considerations which the Committee wishes him to keep in mind. He knows, for example, approximately that member bank reserve position the Committee believes appropriate, or he may have been told to give only secondary consideration to this factor and for a time to be guided primarily by such factors as the tightness of the banking structure in the money centers, the degree of market pressure suggested by U. S. Treasury bill rates and other money market rates, the impact of a large Treasury borrowing operation, and even more broadly by that on-the-spot appraisal of current attitudes and actions which is described as the "feel" of the market.

A comprehensive procedure has been worked out for keeping the Board of Governors and the other members of the Federal Open Market Committee promptly and fully informed on market conditions and all actual transactions for the System Account, as well as on contemplated transactions. One of the most effective tools to this end is the so-called daily conference call at 11 a.m., each business day, when the Manager of the Account or his assistant talks by telephone with the Economic Adviser and a senior economist of the Board of Governors. The Presidents of those Federal Reserve Banks outside of New York who are currently serving on the Committee also participate by long-distance telephone in these discussions on a rotating basis, one President sharing in the call for a period of two or three weeks. At the New York Reserve Bank, the First Vice-President or I often "sit in" on the telephone call and many times both of us are present. (The First Vice-President is, in conformity with the statute, my alternate as a member of the Federal Open Market Committee.)

The Manager of the Account summarizes c o n d i t i o n s in the money and capital markets, the various reports or comments received from the dealers in U. S. Government securities, the reserve position of the principal New York banks, and the reserve position of the country's member banks as a whole—together with the New York Reserve Bank's expectations as to changes in this national reserve position day by day for the next few weeks. The Manager then indicates whether these available data and expected developments point to a need for open market operations in order to fulfill the Federal Open Market Committee's instructions — i.e., whether Treasury bills should be purchased or sold, whether repurchase agreements should be made with dealers, whether holdings of acceptances should be increased or run down, and in approximately what amount any or all of these might be considered.

Participation in the call provides the Emonomic Adviser to the Board of Governors and the other President who is taking part in the call, the opportunity and responsibility of contributing their views as to existing conditions and the proposed course of action, particularly as these relate to the policy set at the most recent Federal Open Market Committee meeting. Usually there is immediate agreement, but suggestions may be made which result in some modification of the Manager's program. Immediately following this conversation, a full summary is prepared at the Board and distributed to all of the Governors in Washington; the same summary is sent by wire to the various Reserve Bank Presidents.

The staff of the Board of Governors is advised periodically during the day by telephone on all details concerning actual operations and market developments. In addition, a written report is submitted daily to the Board of Governors by the New York Reserve Bank with copies to the interested officers of the other Federal Reserve Banks and branches. At the end of each statement week a full written report is submitted by the Manager to the members of the Federal Open Market Committee and to the other Presidents. These reports not only provide a complete statement of all actions taken but they also give a full running record of conditions in the money and capital markets, with emphasis on interest rate changes and on the behavior of U. S. Government and other security prices. Prior to each Federal Open Market Committee meeting, as I have mentioned earlier, a detailed recapitulation of all major market developments and all transactions since the last previous meeting is prepared for submission to all Committee members and the other Presidents.

Questions may occur to the Account Manager between Federal Open Market Committee meetings, perhaps as a result of some unforeseen development at home or abroad, which appear to call for an interpretation of some policy decision reached at the last meeting. If it is a minor matter, the question may be settled by discussion with the President or First Vice-President of the New York Bank, but if it involves a major policy consideration, we may decide to consult by telephone with the Chairman, or, in his absence, with the Vice-Chairman of the Board of Governors or some other member of the Committee. Or the initiative may come from Washington, ie., Chairman Martin or Vice-Chairman Balderston may telephone me and raise some question or make some suggestion having to do with interpretation of the current Federal Open Market Committee policy. If very urgent questions arise, it is possible to arrange on short notice for a telephone meeting of the Federal Open Market Committee to deal with whatever emergency may exist.

We in the New York Reserve Bank encourage the Governors and the other Reserve Bank Presidents, as well as senior members of the staffs of the Board of Governors and of the other Reserve Banks, to spend as much time as they can spare visiting our Trading Desk, observing the Manager and his assistants carry out open market operations, and familiarizing themselves with the actual market atmosphere in which these operations are conducted. I am happy to say that we have had fine visits of this kind recently from the Chairman and several of the Governors and Presidents.

The chief point which I would like to emphasize is the high degree of close contact and close cooperation existing between the Federal Open Market Committee as the originator of all open market policy and the Federal Reserve Bank of New York as the executor of this policy. In my brief experience with the System I have felt that this whole mechanism works very effectively in the public interest.

Money Market Described

I have already touched upon the importance of the New York money and capital markets, which is the basic reason for placing the responsibility for execution of the Federal Open Market Committee's policies on the Federal Reserve Bank of New York. Perhaps it would be useful at this point to explain briefly just what is meant by the nation's "money market" and how the New York Reserve Bank's Trading Desk is organized to keep in intimate touch with that market.

The money market has been defined as the active market for money and close money substitutes which financial institutions and others rely upon to provide the liquidity needed in the usual course of their operations. Commercial banks, Government securities dealers, investment bankers, other financial institutions, nonfinancial corporations, state and municipal governments, and others turn to the money market to adjust their cash positions—supplying funds when they hold surplus cash, withdrawing or borrowing funds when they need cash. The instruments employed (in addition to bank borrowing at the Federal Reserve Banks) might be short-term Government securities, marketable private short-term paper, demand loans, or "Federal funds" —money that is good at the Federal Reserve Banks today, purchased with money that will not be collected funds until tomorrow. The money market through which all these day-to-day cash adjustments are made is national in scope, but the residual shortages or surpluses of funds come to focus in New York at the large New York banks. The extensive correspondent and customer relationships of these banks, and the purchase and sale of money market securities by the specialized dealer firms located in New York, provide facilities upon which all othe regions depend to settle their shortages or use their excesses.

By providing a mechanism whereby interest earning investments may be converted readily into cash, and short-term money needs can be met through borrowing, the money market provides a degree of liquidity to debt instruments and a degree of flexibility to investment and borrowing practices that are essential to the functioning and the growth of a highly developed industrial and financial system. The participants in the money market are as varied as the economy itself. Business corporations are important and may come to the money market with temporary cash accruals to invest in short-term Treasury securities, b a n k e r s' acceptances, sales finance company paper, or other instruments. The corporations have to be confident of a market for their investments so that the latter can be liquidated readily when these funds are needed to pay dividends or taxes, or for operating purposes. Confidence in the liquidity of their investments has made it possible for them to make money available to other seeking money rather than holding these funds in idle cash balances. A State or local government may have funds from tax collections or from the sale of a bond issue that are not immediately needed and are temporarily available for investment. Foreign central banks accrued dollar reserves that may be invested in Treasury bills or bankers' acceptances. All of the financial intermediaries—life insurance companies, such Government, agencies as the Federal Intermediate Credit Banks or the Federal Home Loan Banks, or any others—participate in the money market at least some of the time, either as borrowers or lenders of short-term funds.

Of course, the 14,000 commercial banks in the United States, or a considerable number among them, are the principal participants in the money market. The deposits held with them are check-book money and may be withdrawn without notice. It is particularly important, therefore, that commercial banks hold adequate secondary reserves in the form of liquid short-term investments to provide a potential source of cash to meet withdrawals. Moreover, commercial banks are required by law to keep minimum cash reserves against deposits; in the case of Federal Reserve member banks, these reserves must be kept with the Reserve Banks. Since cash reserves earn no return, it is in a bank's interest to limit its cash reserves as nearly as possible to the amount required by law. In doing so, however, constant recourse to the money market is necessary, either to borrow money or to sell short-term investments when an excess of withdrawals over deposits pulls money away or to lend or invest short-term funds if an excess of deposits over withdrawals temporarily provides excess cash.

New York's Key Importance

It is through the complex interrelations of this network of short-term financial transactions that the money system is kept working smoothly, from day to day, meeting the vast payments requirements of a vigorous, growing economy. The great bulk of the enormous movement of funds through the banking system each day works itself out through an offsetting of funds available against funds required on a local or regional basis, but a net residual of available funds or need for funds remains. It is in absorbing or supplying these residual funds that the central New York money market is of crucial importance. And it is here that the net dependence of the entire financial structure upon the Federal Reserve is brought most clearly into focus. That is why the operations of the arm of the System located in New York necessarily fill a central role in exerting the marginal degree of easing or restraining influence that is needed, if monetary policy is to exert a determining marginal force upon the availability of money and credit for the country as a whole.

These operations in New York include, of course, a host of varied functions that are also being performed by the System's 35 other arms—the 11 other Federal Reserve Banks, and the 24 Federal Reserve Bank branches, located throughout the country. They include, notably, the discount mechanism thorugh which banks may borrow directly to meet short-run adverse swings in their reserve positions. That is a vast subject in itself. The only special significance of New York in this zone of System activity is that so much of the borrowing need that converges on the large New York City banks results from the residual of pressures exerted on these banks by their correspondents everywhere.

What is more or less unique in New York is the location there of the active center of the trading market in United States Government securities. Because all banks and others may turn to the purchase or sale of government securities, as the first line of defense for employing or obtaining money market funds, that market becomes a major zone for the exercise of System responsibility at its own initiative. By buying or selling short-term government securities, or by advancing funds at times to the dealers who are continuously making markets in these securities for all classes of investors, the Federal Reserve can bring about the general degree of tightness or ease that is most likely to fulfill the broad "dynamic" aims of monetary and credit policy.

I will not try, here, to describe that market in any detail. What I do want to attempt, very briefly, is to outline the procedures followed by our own Trading Desk, in carrying through each day the instructions of the Federal Open Market Committee. Perhaps I should note parenthetically that our use of the term "Trading Desk" does not imply that we "trade" in the usual sense—with a view to making profits. Our Desk, is, in reality, a listening post and a "transactions desk" where orders are executed.

N. Y. Fed's Trading Desk

This Desk at the Federal Reserve Bank of New York maintains direct telephone lines with the principal dealer firms and with the commercial banks in New York and Chicago that have Government securities dealer departments. A group of specialists on the Desk are in constant communication with these firms, which are in turn in touch with banks and other investors all over the country, and the composite picture that evolves hour by hour from these conversations and from direct reports from the principal New York banks will show the balance of forces that is taking shape in the money market. Price and yield quotations from various dealers for all Government securities and United States agency issues, the latest Federal funds rate, over-all changes in stock prices, and other information are chalked up on a large quotation board to provide statistical background for the reports and comments that are constantly pouring in. In a real sense, the Trading Desk is the Federal Reserve System's listening post in the money market as well as its operating arm.

Discussions at meetings of the Open Market Committee with respect to its instructions to the Federal Reserve Bank of New York usualy include among other things refernce to the degree of pressure—ease or tightness—that the Committee wishes to maintain in the money market in pursuit of its broad policy objectives. The discussion may sometimes include mention of targets in terms of bank reserve positions or shortterm interest rates that would be generally appropriate to the current phase of credit policy. But it is recognized that statistical measures are not always satisfactory guides to the condition of money and credit availability which the Committee wishes to maintain and that the "feel" of the market, as interpreted by specialists, must be the principal day-to-day guide — that is, the things that close observation can reveal are invaluable aids from the standpoint of the timing of operations.

However, I would not wish to leave the impression that the open market operations for the Federal Reserve System are guided largely by educated intuition. Back of the day-to-day decisions to buy or sell Government securities or to enter into repurchase agreements with dealers lies an intensive evaluation of the supply and distribution of bank reserves and of the forces that are likely to influence the money market currently and in the near future. A group of money market specialists works constantly at forecasting the additions to or withdrawals of funds from the national money market which may be expected on the basis of patterns previously observed in changes occurring during a week, month, season or year. Estimates are made of the daily flow of Treasury receipts and expenditures to determine if the Treasury will be supplying or withdrawing funds from the market. Other specialists keep records of scheduled security flotations by corporations and government bodies, including the Federal Government, and the expected influence of these operations on interest rates and market conditions is included in the total picture. Detailed data are compiled on the positions of the New York banks, including their borrowing from the Reserve Bank and in the Federal funds market. And many other statistics and reports—more than I could detail in this statement — are poured into the hopper each day to form part of the background against which operating decisions are made.

The piecing together and interpretation of the bits and pieces of statistical data, market reports, development in psychology and news items that goes on constantly in the Securities Department of the Federal Reserve Bank of New York is directed toward a single purpose— the execution of the policy instructions of the Federal Open Market Committee. By 11 o'clock on most mornings enough of the over-all picture will have been assembled to give a reasonably clear idea of the action, if any, that will be called for, and it is then that the conference telephone call—to which I referred earlier — is made. From that point on, subject to any questions that may come in from the members of the Committee or their staffs, the job becomes the highly specialized techincal operation of choosing the right methods, and the right time, to effect the marginal degree of influence upon the volume of bank reserves, and the state of the money market, that will best carry through the general aims of System policy.

Milwaukee Co. Names New Officers

MILWAUKEE, Wis. — At the annual meeting of The Milwaukee Company, Joseph T. Johnson, President of the Milwaukee investment banking firm announced the election of G. Edward Slezak as an executive vice president. Mr. Slezak became associated with the Milwaukee Company in August, 1955 after having been with Loewi & Co., Incorporated since 1939. He is a member of the Executive Committee of the Central States Group of the Investment Bankers Association. He is also a member of the board of governors of the Midwest Stock Exchange.

New vice presidents of the firm are Karl W. Backus and Robert G. Stenger. Mr. Backus joined the firm in 1948 after briefly practicing law in Madison, Wisconsin. From 1948 to 1955 he served in the capacity as sales representative and in addition to his sales work during the past two years he has taken over the new business activities of the firm, heading the Corporate Consultation Department.

Mr. Stenger has been associated with the firm since 1949 in a sales capacity, prior to which he was with the Northwestern Mutual Life Insurance Company where he was a lawyer for the company.

Marvin W. Neumann was appointed controller. He has had charge of the accounting department since he joined the firm in July, 1955. Prior to that time he was with Peat, Marwick, Mitchell & Co. for four years, after graduating from the University of Wisconsin School of Commerce in January, 1951.

The Milwaukee Company is a member of the Midwest Stock Exchange. Through its subsidiary, Edgar, Ricker & Co., it is the national distributor of Wisconsin Fund, Inc., a mutual fund.

Robert Patterson Co. To be NYSE Firm

TUCSON, Ariz. — Robert Patterson & Co., Inc., 23 East Alameda, will become members of the New York Stock Exchange on December 27th. Officers of the firm are Robert Patterson, who will hold the firm's Exchange membership, president; Jack Dykeman, vice president; Peter M. Kusian, secretary and treasurer; and William Scanland, assistant secretary.

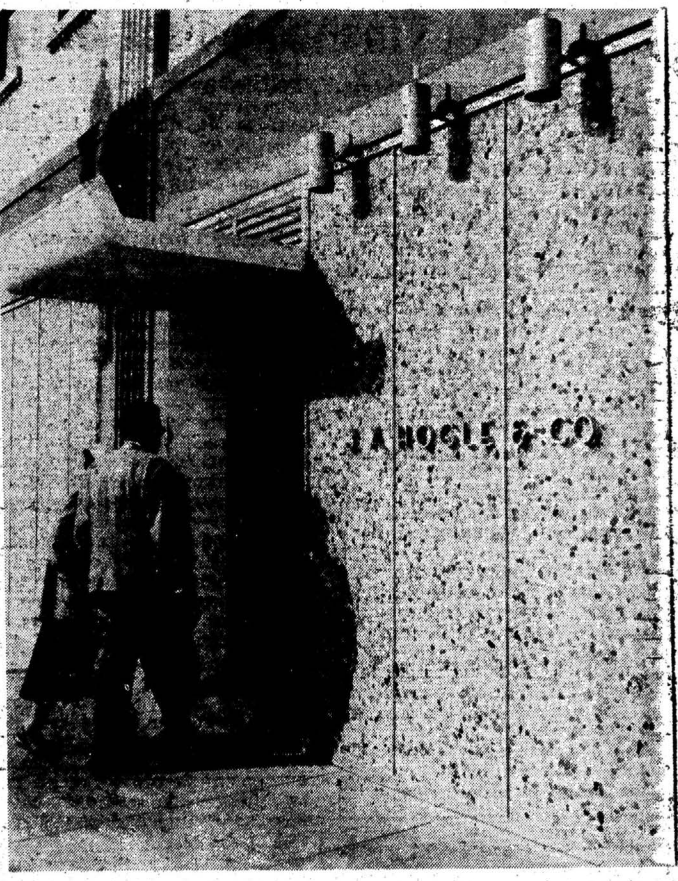
Two With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Virgil Caravacci, Jr. and Earl M. Stone are now connected with Dean Witter & Co., 632 South Spring Street.

J. A. Hogle Opens New Office

LONG BEACH, Calif.—J. A. Hogle & Co., members New York Stock Exchange, dedicated their new office location in Long Beach recently with an Open House. Mayor Charles Vermillion, D. W.



Campbell, Manager Chamber of Commerce, Navy representatives, civic leaders and members of the financial press attended the gala affair.

According to George M. Baumgardner, Hogle's local manager, the move to the new and larger offices at the corner of First and Locust Streets, was necessitated by the rapid growth of Hogle's business in the area. "Long Beach's amazing development and business growth has required Hogle to continually increase staff and space to keep abreast of current demands," Baumgardner said. The investment house has made three such moves since opening its first Long Beach office in late 1953.

The newest Long Beach office, and the one Baumgardner hopes will be large enough to meet the needs of local investors for a few years, is attractively decorated with murals and features an imported marble front.

Equipped with a New York Stock Exchange and American Stock Exchange translux, a Commodity translux, a Los Angeles Stock Exchange ticker, and a board listing more than 500 companies, the well-appointed office offers the investor the most modern communications equipment available. The new office is located at 147 East First Street.

Boston Inv. Club Elects New Officers

BOSTON, Mass. — The Boston Investment Club held its Annual Meeting December 13, at the Boston Yacht Club, and the following officers were elected to serve for the year 1957:

President—Albert W. Moore, L. F. Rothschild & Co.

Vice President — Lowell A. Warren, Jr., Dominion Securities Corporation.

Treasurer — Dixon B. White, Hornblower & Weeks.

Secretary — Joseph M. Hurley, Jr., Harris, Upham & Co.

Publicity Chairman — Richard E. Murray, May & Gannon, Inc.

W. A. Lofft Opens

(Special to THE FINANCIAL CHRONICLE)

LA JOLLA, Calif. — William A. Lofft has opened offices at 8236 La Jolla Shores Drive to engage in a securities business.

Joins Bache Co. Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Bernard Gagliano, James E. Hartman, Arthur W. Knight, Mary L. Moore, Robert C. Moore have become affiliated with Bache & Co., 96 Northeast Second Avenue.

To Be Cosgrove, Whitehead & Gammack

The firm name of Cosgrove, Miller & Whitehead, 44 Wall Street, New York City, members of the New York Stock Exchange, on January 1st will be changed to Cosgrove, Whitehead & Gammack. On the same date Norman Fischer, Marshall S. Foster will become general partners in the firm, and Hellen B. Rooney, Ruprecht von Boecklin and William R. Wister limited partners.

Form Kostman, Inc.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Kostman, Inc. has been formed with offices at 215 West Seventh Street to engage in a securities business. Officers are Philip Kostman president; Daniel A. Kirsch, vice president; and Helen Fisher, secretary and treasurer.

Two With Walston Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—LeRoy A. Owens and L. Milton McKenney have become associated with Walston & Co., Inc., 550 South Spring Street. Both were formerly with Marache, Dofflemyre & Co.

Continued from first page

Our Crucial Money Market In Financing Prosperity

helped fill a vacuum which threatened to draw Government intervention.

The struggle is far from won. We in Government are doing our best to conform to sound long-term principles, but it is just as important to avoid the vacuums which induce direct Government action. So please keep up the good work.

Sound Money

You are also most helpful in explaining to your policyholders and to the public the application of the principles of sound money to the present situation in the United States. In the Treasury we have been grateful for the excellent speeches and articles by members of your industry in recent months on this subject, and the great understanding you have shown.

In this country we are now going through one of the critical struggles to maintain sound money, as significant, perhaps, as the gold and silver arguments of the middle 90's or the discussions 20 years later which resulted in the establishment of the Federal Reserve System.

This is a time when maintaining sound money inevitably hurts some people, and that means cries of distress and political pressures on the people or institutions responsible for Government monetary policies.

It has been encouraging over recent months to find a growing public understanding of the issues, of the reasons why mortgage money, for example, is harder to get or why states, municipalities, and business are all paying higher prices for money.

A few months ago, all too many people believed that "tight money" was simply a result of policies pursued by the Federal Reserve System or by the Treasury. Your leaders have helped to explain that the causes of apparent scarcity of money run much deeper.

Tight Money Cause

The basic cause of "tight money" is a great and abundant prosperity, and high confidence in the future. This means a demand for money which is in excess of the amount of money the people are saving. That is the real reason why the price of money is high and why it is less readily available.

The figures are convincing. They show that the volume of security issues for new capital, both corporate and municipals, this year may exceed $15½ billion, compared with something over $14¼ billion in 1955, which was the biggest previous year.

While the rate of expansion in bank loans has been slowing down this fall, the volume of bank loans outstanding has broken all records and is more than 10% higher than this time a year ago.

Capital Expenditures and Lending

The figures which your industry compiles show that you have been lending more money than ever before and that you are heavily committed for a good many months ahead.

The tremendous demand for money is also reflected in the program of American business for capital expenditures. In the year 1952 these expenditures totaled $26½ billion. This year business is spending $35 billion, an increase of one-third in four years. Government agencies have just made an estimate for the first quarter of 1957 of a still higher annual rate of $38 billion.

This demand for money is paralleled by an insistent demand for men and materials. Employment is at high levels; many materials are in short supply.

It is not hard to explain this huge demand for money and men and materials.

Factors Prompting Money Demand

First, there is population growth, which has jumped to a new high level. Four million children were born last year, as against an average of two and one-half million in the thirties. This means many more schools, more churches, more utilities, more streets, and many more houses. It means more demand for food, clothing, and equipment. It requires an expansion of productive facilities of all kinds.

Second, there is the amazing progress of science. The vast research programs of business and Government have uncovered a whole new vista of progress to improve the well-being of the people.

A third factor for dynamic growth, I believe, is the confidence both the individual and private enterprise feel today to plan for the future, partly because Government is providing an encouraging economic climate, based on sound money and sound economic policies.

It is no wonder that our total national product is breaking all records and that more people are working than ever before. All of this intensive activity takes money—more than ever before in peacetime. We must find the money to finance this activity without inflation — without, in effect, printing new money.

To meet this situation we need to spend less and save more.

Here is where a new day is dawning for savings, for your business. It is fortunate that we are a saving people. Our country is doing a tremendous job of saving money and applying it to increasing our wealth and wealth-producing assets. But we are not saving enough.

The money is here to save. Individual income in the third quarter of 1956 reached an all-time record rate of $288 billion a year after taxes, compared with $274 billion for the third quarter of 1955.

Savings Rate

Individuals are saving now at a rate of over $21 billion a year as compared with less than $16 billion in the third quarter of 1955. The current dollar rate of individual savings is higher than ever before in our history except for World War II and a brief period during the Korean War. The percentage saved in relation to income is also high. Individuals are now saving about 7½% of their incomes after taxes, as against 6% last year and less than 5% on the average during the years between World War II and Korea.

This increase in the rate of savings during the last year reflects to some extent individual deposits in the banks, increased shares in savings and loan associations, and some increased purchase of securities. But these changes have been slight in comparison to the substantial increase in net saving that has come about simply because individuals aren't adding, on net balance, to their debts this year nearly as much as in 1955, and are repaying old debts rapidly.

Debt Repayment Is Savings

The gross amount of borrowing that individuals have done on consumer credit and on mortgage loans is much the same in 1956 as in 1955. New installment credit extension this year to date is slightly above 1955, while new mortgage loans made are running slightly behind. But the big reason that individuals are not going into debt as fast this year is the heavy repayments that they have been making on the big debts they piled up in earlier years. When individuals agree to borrow either through instalment credit or mortgages these days, they almost universally agree to pay back the money through monthly payments. The act of meeting those amortization payments is just as much saving as, for example, the payment of life insurance premiums. This heavy volume of debt repayment becomes directly available to the banks and insurance companies, and savings and loan associations, and other creditors to relend.

Business corporations are also a primary source of savings. Their retained earnings are running at a rate of almost half of their income after taxes. These earnings, plus current depreciation allowances, provide for the internal financing of a large share of the present plant and equipment needs of American industry.

But the savings we as a people are making are still not enough to pay for everything that we want to do. The demand is just much greater.

So people are borrowing money —a great deal of it. As long as people borrow money that other people have already saved, there is no great problem for the economy. **But when they try to borrow more money than is being saved, then the price of money—the interest rates—go up. Lenders have to decide which loans they will make and which they will turn down. The banks have to decide whether they, in turn, will borrow from the Federal Reserve to help meet the demand. That means, in effect, creating new money, and that is where the danger of inflation comes in. This is a real danger which we must not ignore.**

More Spending Restraint and Housing

Thus, the first thing we must do is to exercise some restraint in spending — not to try to do everything at once. Higher money rates and tight money act as such a restraint. That is why the Federal Reserve System is allowing money rates to rise, as the demand for funds continues to outrun the supply.

When there is vigorous competition for money, as there is today, not everyone can get all the money he wants. This heavy demand for money has hit especially mortgage money for home building. This is true despite the fact that mortgage lending is still going forward at high levels. The recent announcement by the Federal Housing Administration of an increase in the interest rate on insured mortgages from 4½% to 5% was designed specifically to bring interest rates in this important part of the housing market in line with current conditions.

Some other borrowers are finding their projects held back by difficulties in getting money. This is not a pleasant experience for anybody. But there is, fortunately growing understanding that these restraints are essential to avoid inflation. If the Federal Reserve, in effect, printed money to meet all demands for money—or even just those that seemed desirable—it would cause price inflation. With employment high, and with many scarce materials, a further increase in activity would simply push up prices.

So the only sound way to finance more rapid economic growth is by increasing savings. Higher money rates themselves encourage saving. Higher mean that banks are offering their depositors greater inducements to save. As you know, just recently the Federal Reserve Board and the Federal Deposit Insurance Corporation increased the maximum interest rate which commercial banks are permitted to pay on savings deposits from 2½% to 3%. As a result, banks which wish to encourage additional savings through higher rates may do so. Higher rates also make life insurance more attractive as insurance companies are able to raise their dividends to policyholders. Of course, these higher rates take time before they actually result in higher savings but the American people have sharp pencils, and they are today responding to these more attractive rates.

Another incentive to save is confidence in the continuing value of the dollar. Inflationary Government policies helped cut the purchasing power of the dollar from 100 cents in 1939 to 52 cents by the end of 1952. Saving under those conditions was a frustrating experience.

Price Index Stability

Since 1952, however, we have enjoyed a remarkable period of price stability. The purchasing power of the dollar has held close to its value for four years—with a loss of only about a cent and a half.

This didn't just happen. It reflects the determination of the Government to help keep the dollar sound.

Under this Administration, the Federal budget has been brought into balance from an inherited $9½ billion deficit. A surplus of more than $1½ billion last year gave a start in debt reduction. The public debt today is $276½ billion, compared with $280 billion a year ago. Another balanced budget is in prospect, and further debt reduction. Government deficits are, thus, no longer a source of inflation and instability. But the pressure for spending is great and we must all be on guard to keep the budget in balance.

The Federal Reserve System has been freed to exercise its independent judgment in the determination of monetary policies in the public interest. The broad program of the Federal Reserve in checking the tendency toward overexpansion of credit has been helpful in keeping the pressures toward inflation within bounds.

Bursts of inflation are too often the prelude to recession and unemployment. But if we continue present policies — with effective *credit restraint, stable prices,* and a *growing interest in savings* — our prospects for the sustained and vigorous growth of our country stagger the imagination.

But in addition to higher money rates and a favorable governmental climate to encourage savings, it takes salesmanship—shoe leather. That is where our savings institutions have shown their capacity. You are doing a fine job encouraging people to save. This is not only good for your business; it is good for your country.

To reach the high goals of prosperity and well-being which are within our grasp, we must save more to have the funds to build a new and greater America. That is the reason why what you are doing in encouraging saving, and investing the savings soundly in business, industry, and homes, is more important than ever.

U. S. Leads Rest of the World in Building Nuclear Reactors, Survey Reveals

Harris, Upham & Co. finds nuclear reactor development here passes the combined total of reactors built or planned throughout the rest of the world. Investment brokerage firm's analysis includes estimates of Soviet "very rapid progress."

U. S. leadership in rapid worldwide progress in development of nuclear power facilities—in Russia, Great Britain, Italy, Germany, Japan and other countries—is reported in the new issue of "Atomic Energy Review," just published by Harris, Upham & Co., nationwide investment brokerage firm with offices in 35 cities coast to coast and members of the New York Stock Exchange.

Soviet Rapid Progress

"Information available indicates very rapid progress in the nuclear power field in Russia," the Review, edited by Gordon R. Molesworth, atomic energy consultant, reports. "The Russians were the first to build and operate a small nuclear power plant, a 5,000 kilowatt pressurized water unit which became operational in June, 1954, They have followed that pioneering project with a five-year program aimed at providing 2,500,000 kilowatts of nuclear power.

"The Soviet intends to build ten different types of power reactors by 1960, plus a nuclear propulsion system for an icebreaker vessel. Russia is cooperating very closely with all of its satellite nations and has agreed to provide both reactors and powerful "atom smashers" for nuclear research in those countries. The Soviet appears to have enough uranium to support both her own program and those of her neighbors.

Other Countries

The Review finds, however, that while "West Germany got a late start in atomic development because until May, 1955, she was prohibited from engaging in any nuclear activity, since then she has been making up for lost time. The Germans have already bought three research reactors in the United States — from Babcock & Wilcox, AMF Atomics, Inc., and North American Aviation. . . . German companies have designed and built three uranium processing plants abroad with two more anticipated. . . . One firm is fabricating fuel elements and others are supplying assorted reactor components."

". . . Italy, the seat of pioneering nuclear research before the war, is again active in this field. Both the Government and industry in Italy are deeply interested in nuclear power development, with officials estimating that 1,000,000 kilowatts of nuclear power capacity will be necessary by 1965. . . ."

Nuclear power development in other countries is outlined by The Review, including major projects in Czechoslovakia, East Germany, Yugoslavia, Canada, France, Belgium and the Belgian Congo, the Netherlands, Norway, Sweden, Switzerland, Denmark, Spain, Portugal, the Dominican Republic, Chile, Colombia and Argentina, Australia and the Union of South Africa.

U. S. Record

Describing U. S. progress in the field so far, the Harris, Upham & Co. Review finds that "including all research and propulsion reactors built or planned in this country, the United States has a total of 214 reactors either built, under construction or definitely planned. This total by far surpasses the combined total of reactors built or planned throughout the rest of the world. Furthermore, we have by far the greatest variety of reactor systems under investigation. . . ."

Phila. Secs. Assn. Elects New Officers

PHILADELPHIA, Pa. — John D. Foster, Vice President of Studley, Shupert & Co., has been nominated for President of the Philadelphia Securities Association to serve for the year 1957. Mr. Foster would succeed Francis M. Brooke, Jr., partner of Brooke & Co., whose term is expiring.


John D. Foster

Other officers nominated were: Leighton H. McIlvaine, manager of the Municipal Department of Goldman, Sachs & Co., Vice President; Albert A. R. Wenzel of Hornblower & Weeks, Treasurer; and F. Lester Smith of Janney, Dulles & Co., Secretary.

The following were nominated for the Board of Directors to serve for three years: Francis M. Brooke, Jr., John D. Foster, F. Lester Smith and Henry Ecroyd, Trust Investment Officer of the Provident Trust Company of Philadelphia.

The annual meeting and election of the Association will be held on Thursday, January 10, 1957, at The Barclay Hotel.

Chicago Analysts to Hold Forecast Forum

CHICAGO, Ill. — The Investment Analysts Society of Chicago will hold a forecast forum on December 20th in the Adams Room of the Midland Hotel.

Speakers will be George Mitchell, vice president of the Federal Reserve Bank of Chicago, who will speak on the Business Outlook; David M. Kennedy, president of Continental Illinois National Bank and Trust Company, who will speak on Monetary and Debt Management Policies; and Edmund W. Tabell, Walston & Co., Inc. who will discuss the stock market outlook.

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As We See It

reaching up toward twice their rate at the end of World War II.

Of course, the cost of living has risen also at a rapid and continued rate, a fact regularly cited by both wage earners and politicians as justification for continued demand by organized labor for higher and higher wages, which are accompanied not by more and better work but more and more restrictions and less effort. Of course, the truth is that higher wages are one of the major factors which have been driving prices up despite all efforts to hold them down.

Loose Financial Policies

But both higher prices and higher wages have been made possible, if they have not been caused, by governmental fiscal policies and governmentally imposed credit policies plus innumerable actions on the part of government in support of organized labor. It may or may not be wholly true that a war such as that we waged from 1941 through most of 1945 could not be financed and prosecuted with the required vigor without the loosest of fiscal and credit policies. We doubt if it is true as commonly asserted. But be that as it may, the fact is that both before that conflict and after it fiscal policy and credit policy during much of the time virtually cried out for higher prices. In point of fact, President Roosevelt repeatedly asserted that the objective of his administration, particularly his monetary and credit programs, was to raise the price level to where his so-called experts thought it ought to be.

It is not altogether clear just how the New Dealers and the Fair Dealers thought the consequences of these policies could be permanently avoided. They were much given, of course, to regulations of one sort or another, and the fact that they so frightened business men that the normal effect of their procedures did not quickly appear seemed to encourage them in the belief that one could deliberately inflate and permanently escape the inevitable results. Indeed, so beset were they with fears of another 1929 depression that anything seemed good to them which resembled a "shot in the arm." Among other things, they had become convinced that higher and ever higher wages spelled eternal prosperity. It was, of course, a very convenient political doctrine, and when higher labor costs were reflected in prices, it was the greed of business men which was the villain in the piece.

As to interest costs, they had, so they apparently thought, the perfect remedy for trouble. The Federal Reserve had almost infinite amounts of gold against which it could buy the securities of the Federal Government, thus at one and the same time affording a market for these obligations and supplying reserves to member banks. As to local governments, tax exemption plus steeply graduated income tax rates seemed for a time to create an almost limitless demand for their obligations. But, of course, the piper had to be paid at one time or another. The time presently arrived when either we had to call a halt upon further expansion of the Federal Reserve system or else plunge over the precipice into a wild whirlpool of inflation.

And, of course, by that time costs and prices had so risen that the normal flow of industry and commerce required a great deal more in funds than otherwise would be the case—and also by that time the public had learned how easy it seemed to get much more than they produced or earned by the simple process of borrowing in huge total amounts. Demand for all types of goods placed business under necessity of increasing plant and advancing the productivity of plant in order to meet the demands placed upon it. And, so the cost of money began to rise as had everything else.

Must Produce to Consume

The time has come for us all to reach a realizing sense of the fact that we can have only what we are ready, willing and able to produce. There is no legerdemain by which we can tinker with the currency, play fast and loose with the credit of the country, or do tricks with tax and debt management programs of government and bring riches from nowhere in abundance. We want more and better schools, of course. We shall almost have to have them. But we can likewise be reasonable if not frugal in what we undertake to give ourselves and our children. One can scarcely doubt that we are paying a fancy price for the education the youth of the country is getting now—particularly when we consider the type of education they receive. We can have innumerable automobiles and adequate roads to drive them on if we are willing and able to build them. Not otherwise. We can have the luxury of suburban living and all that now goes with it—again if we are willing and able to produce the things necessary to it. Not otherwise.

If the difficulties which face the various types and levels of government teach us all such elementary truths as these, we shall have reached the point when sound public policies should be politically possible. We should be sufferers for want of some of the things for which funds are sought today. What we need to face in these cases is the fact that the way to get them is produce them—to give more attention to ways and means of enlarging production rather than eternally bickering about wages and other privileges.

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The Economic Outlook And Investment Strategy

for five years or more, and the important thing to us is what the situation will be in 1961." Perhaps you would make a similar observation, and I can sympathize with this point of view because one of my functions as economist for the Jewel Tea Company is to offer advice on the investment policy for our retirement funds. For this reason, I have been giving a good deal of thought to the subject of the long-term economic outlook; and I thought you might like to explore with me in some of the directions this thinking has taken.

For the long range, it is difficult to make forecasts as precise as those one makes for the near term; one must work with general tendencies. In working out these general tendencies for the long term, perhaps the first question we need to answer is whether we are likely to witness again the kind of catastrophic drawn-out depression such as engulfed us in the 1840's; the 1870's; the 1890's; and, the greatest of all, in the 1930's. We seem to have a vague fear that the good times we have seen in the past 10 years are wonderful, while they last; but we ask ourselves, "How long can they continue this way?" We rationalize these emotional fears into analogies with physical or scientific principles such as:

"Trees don't grow to the sky."

"For every action there must be an equal and opposite reaction."

"What goes up must come down."

It seems perfectly clear that these generalizations are incontestable and perfectly valid in their place, when related to growing trees, the operation of physical forces and the pull of gravity on a baseball thrown into the air; but I submit that they have no self-evident relationship to the ebb and flow of business activity.

Another "Great Depression?"

To examine the question of whether we are likely to witness another great depression, let us consider the factors that would need to be present if such a development is to occur.

First, I suppose we would require a world at peace with order maintained by the dominance of one leading power in the world, be it the United Nations or a single nation. In such a situation, government activity would not bulk so large in the economy as it does today; and any weakness developing in the private economy would be reflected in a corresponding degree of weakness in the economy as a whole.

Secondly, we would need to develop some overextended speculative position at some key spot in the economy. Severe depressions in the past have always been preceded by a speculative orgy of one kind or another, typically in the stock market, real estate, or commodity prices.

Third, there would need to be widespread weakness in the banking structure, with many loans being called and banking or bank-like institutions failing on a large scale.

Fourth, a particular type of government policy would be required in our present economy where the government in fact supplies directly almost 20% of our Gross National Product. The government would need to try to pare expenditures to match declining receipts and to raise tax rates. This was standard practice for governments until at least 1934.

Perhaps a similarly restrictive policy would be required of the banking authorities, such as was followed in the early 1930's when the Federal Reserve System allowed Federal Reserve credit to decline as rediscounts were repaid and as it felt forced to raise interest rates in 1931 with the flow of gold reserves abroad and into hoarding domestically.

Finally, it might be necessary to have a flexible wage structure wherein growing unemployment would be reflected in lower wage rates with consequent reductions in money income and spending intensifying the downward spiral.

Merely to recite these prerequisites for the kind of economic disaster we have had in the past is to indicate the unlikeliness of their recurrence in the future. However, we cannot let it drop there, but have some obligation to peer into the future and size up as specifically as possible the forces that will be operating in the years to come.

Forces Operating in the Future

First, the emergence of a powerful single world police force, be it under the aegis of the United Nations or a single dominant nation, seems out of the question until the triumph of one or the other of the two presently dominant ideological and military forces in the world. At the same time, I accept the judgment of experts in the fields of military and political science that the fear of precipitating an all-out atomic war will keep the conflict between these forces from bursting into a flaming holocaust. I am sustained also by a religious-like faith that man's destiny is freedom and that in the end our just cause will win out, though perhaps not in our lifetime.

In this world environment, armament expenditure can be expected to continue heavy and total government expenditure to remain a large fraction of the total economy.

When we turn to the likelihood of avoiding the kind of financial excess which has occurred in the past, prediction becomes more difficult. However, we do have margin controls on stock market credit and, as a result, we do not now have a large volume of loans outstanding which can be subjected to the self-defeating kind of squeeze that developed in the past when banks and others attempted to call their call loans on a wholesale scale. Similar controls do not extend over consumer instalment or housing credit, and rightfully so in my judgment. Speculative excesses are possible in these fields, but at least the debt here is extended on an amortized repayment basis so that no large part can be called for payment at any one time. I am now venturing into a field where your knowledge is much greater than mine, but at present I discern no large area in which there has been a seriously dangerous extension of credit on a speculative basis.

With respect to the banking structure, we have witnessed a vast strengthening in the past 25 years. Not only do we have the insurance of bank deposits, but the kind of capricious withdrawal of gold reserves from the banking system that was possible before 1933 is no longer conceivable. Also, Federal Reserve policy would hardly permit the kind of credit contraction which occurred in 1931 in the midst of depression. We might recall that in 1932 interest rates on high grade, long-term securities, including governments, were higher than at the peak of the boom in 1929! Such a situation would be unthinkable today.

Government policy generally would operate automatically in the direction of modifying rather than intensifying a business decline. Expenditures would rise rather than decline, if only to satisfy the requirements of present commitments affecting farm commodities and some metals, unemployment insurance and old age assistance. At the same time, tax revenues would inevitably decline. In addition to these automatic responses would be the deliberate action that government would take under the Employment Act of 1946 to promote and maintain "maximum levels of employment, income and purchasing power."

Finally, the kind of downward flexible wage structure that in the past has helped to spiral recessions downward is just not in the picture today. In fact, in key areas where the pattern is set for the rest of the economy, we have automatic future year-to-year wage increases built right into the present wage structure. In the steel industry, for example, we have an agreed-to-increase of 12c to 13c per hour next year and a similar amount in 1958. While it is conceivable, though not probable, that these increases can be absorbed by productivity increases in the steel industry, similar increases generalized over the economy as a whole, as surely they will be in the long run, can hardly be expected to be absorbed without considerable upward pressure on prices.

Doubts Past Cycles Will Re-Occur

Thus, the balance of probabilities weighs strongly on the side of avoiding anything like the kind of serious depression we have known in the past. This is not to say that some other types of development unknown in the past and not now discernible may not plunge the economy downward, but I see no basis on which to forecast that this will transpire.

It does seem likely that our forward progress will be interrupted from time to time by business contractions. Also it is somewhat uncertain just how far and how long these may continue. The reason is that when a decline starts it is difficult to tell how serious it may be; and consequently, before bringing up the heavy guns of government anti-depression policy, an interval will be required to wait and see how a recession unfolds. But it is not conceivable to me that a recession could proceed for as long as one year with no sign of reversals without calling forth positive action by government to turn business around. While the extent of such action and the exact degree of its effectiveness will be uncertain, it seems clear to me that reversal of a recession within 12 to 18 months of its start can confidently be expected.

It is worth noting that in the past 20 years there have been 16 years when the Gross National Product moved up, and four years when it moved down. True, this record has been influenced by the inclusion of war years; but if we exclude the years 1941 to 1945 we find that in the years in which the Gross National Product increased, the average increase was 9.8%. In the four years in which activity declined, the average decline was 2.2%. The range of declines was from 6.1% in 1938 to .01% in 1949 and .7% in 1954. In the latter two years, it might be noted that the general price level, including services and capital goods as well as consumer commodities, actually rose. From this I would conclude that there is at least a three-to-one chance that any year in the future will see rising rather than falling business activity and that the rise in a rising year is likely to be substantially greater than the decline in a declining year. Moreover, a continued though gradual rise in the price level seems likely.

Implications for Investment Strategy

Let us now turn to an examination of some of the implications for investment policy of this expected economic pattern for the future. First, I would look for a continued and perhaps growing preference for equities because of their indicated higher dollar earnings than fixed income securities at anything like current returns. Historically, corporations have been able to earn 10% or more on their capital in years of reasonably active business, according to the regular compilation of the First National City Bank of New York. Well known averages of common stocks, consisting mainly of better known issues, seem to sell at an average of 13 to 14 times earnings, which is equivalent to a rate of return of 7% or more per annum. As confidence grows in the ability of the economy to progress with minor ups and downs but without a cataclysmic depression of long duration, I would expect that the attraction of this kind of return would grow in comparison with the return that can be earned from fixed-income securities.

There will undoubtedly be a greater emphasis on growth and the ability of individual managements to capitalize on the growth potential of the economy. Conversely, there should be less concern about the possibility of sharp and drawnout cyclical changes in business conditions as a whole. For example, many formula-type investment plans are based on the theory of dollar averaging, and profit from their application is premised on the assumption of a sidewise trend of prices with substantial fluctuations up and down. If, instead of this picture we face the prospect of relatively mild fluctuations about a rising trend, the wisdom of such formula plans will bear reexamination. In any case, it seems clear that the ability to gauge broad market movements will continue to become a less important determinant of investment success and a greater premium will be placed on the analysis and selection of individual securities.

Another factor that will need to be considered in an economy with a growing money standard of living is the effect this growth will have on the value of funds being set aside today to provide income in the future. What is an acceptable standard of money income today may be woefully inadequate 10 years hence. For example, Gross National Product has been projected at $535 billion for 1965 by the Joint Committee on the Economic Report in terms of 1953 prices. If we adjust this to current price levels and allow for a further rise in prices of approximately 1% per year, the Gross National Product could easily exceed $600 billion by 1965. This means that the average income 10 years from now is likely to be about one-third higher than it is today. Thus, funds being set aside today for what we now consider to be an adequate pension will prove inadequate by the time the funds are to be paid out because by that time the amount of the pension will inevitably have to be increased. This factor should be considered in current investment policy. Similarly, in investing funds where there is both a life interest and a remainder interest, the probable growth in the required dollar standard of living should be given weight.

I would like you to think, from this discussion, that I advocate a wholesale shift into equities and real property generally, though I would be prepared to move a substantial distance in this direction. One must recognize that earnings on property are subject to some uncertainty, particularly on individual pieces of property. This uncertainty stems primarily from the uncertainties surrounding the continuous conflict between the East and the West as it grows hotter or colder. I suspect, however, that we will become more used to this uncertainty as time goes on and that the preference for equities will grow.

Higher Interest Rates

As fear of serious depression ebbs and people look more and more confidently to the growth opportunities of the future, we can expect the current pressures toward inflation to increase. We can also expect, it seems clear, that at least the Federal Reserve System will do all in its power to resist such inflationary pressure without precipitating a serious depression. I believe these efforts will be successful to a large extent, which is why I assume that the price level will show only a modest upward trend over time. Inevitably, however, it means that interest rates should trend gradually higher.

Although today we feel that we are in an era of tight money, we should look at the present level of money rates in its historical setting. Moody's Aaa bond yields, at this writing, are 3.54%. If we look back to 1935 when we felt we were in an era when money was so easy it seemed positively sloppy, we find that Moody's Aaa corporates were yielding 3.60%, or higher than now. Moreover, the present tight money situation does not seem to have appreciably discouraged new financing. As just one example of this, my friend John K. Langum, of Business Economics, Inc., tells me that in the six years from 1933 to 1939, loans of the banking system increased by exactly $200 million. For the past 18 months, he says, they have been rising at the rate of $250 million a week!

In this setting, with Federal Reserve policy geared to preserving both full employment and the purchasing power of the dollar, interest rates will most likely move gradually higher over the years. There will be interruptions to this trend as moderate business recessions develop, but I would expect that by 1965 Moody's Aaa corporates would be averaging in the neighborhood of 5%. This incidentally was the average for the 1920's.

In this brief talk, I have not been able to incorporate all of the qualifications one would need to make in proclaiming the "New Era" of perpetual prosperity, and I presume that I am marking myself as a candidate for the grave filled with the bones of many other propounders of "famous last words." Yet, I feel I have an obligation to give you my honest appraisal of the forces at work in the world today and where I think they will lead in the future. The validity of this appraisal and the ramifications it may have for your own operations I leave for you to determine.

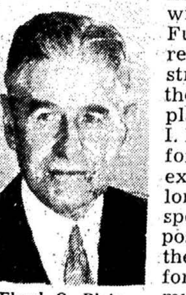
I would like to close with a quotation from a talk by Ralph Cordiner, President of General Electric Company. He was speaking about business plans, but I believe his observations and his appeal to action would be equally applicable to questions of investment policy.

His statement was as follows:

"Too often, business plans have been no more than a straightline extension of past trends and have failed to take into account the probable success of current investments in research and innovation. This is why able business men are surprised more often by their successes than by their failures, and so are usually unable to capitalize opportunities that could have been anticipated. The manager who merely tries to keep his plans and policies up-to-date is already out-of-date. He must keep them up-to-the-future, where the objectives of the business will be achieved."

Blair Director of Harriman Ripley

Harriman Ripley & Co., Incorporated, 63 Wall Street, New York City, has announced that Floyd G. Blair has been elected a member of the firm's Board of Directors. Mr. Blair retired on April 1, 1956 as a Vice-President of the First National City Bank of New York, an office he held since 1931. He became associated with the National City Bank of New York, predecessor of the present bank, in 1927, prior to which he was with prominent law firms in New York City and Boston. From 1924-1927 Mr. Blair was legal advisor to the World War I Foreign Debt Commission and to the Secretary of the Treasury on foreign and railroad matters. Mr. Blair's office is at 25 Broad Street, New York City where he is a Trustee of the Charles Hayden Foundation. He is also a Director of the Denver and Rio Grande Western Railroad Co. and a Trustee and Chairman of the New York Philharmonic Symphony Society.



Floyd G. Blair

H. H. Davidson Joins Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — H. Hodge Davidson, member of the San Francisco Stock Exchange, has become associated with Hooker & Fay, 221 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Mr. Davidson was formerly senior partner of Davidson & Co.

Four With McInnes

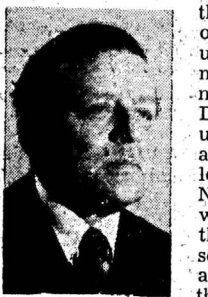
(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Theodore C. Alexopoulos, Jay L. Blanchard, Joseph Block and Thomas E. Kehoe have become affiliated with McInnes & Co., Inc., Huntington Building.

The Prospects of Sterling

By PAUL EINZIG

A strong balance of optimism in regard to sterling's prospects is reported by Dr. Einzig in view of preparations made to aid gold reserves, and that the fact that sterling's weakness was due to speculative anticipation of its devaluation. Author hopes Government will continue restraints and labor will not press excessive wage claims. Believes sterling weakness will become a potential source of strength, and notes USSR sold gold in order to buy cheap transferable sterling.



Paul Einzig

LONDON, England — The improvement of the technical position of sterling within the brief space of a week is indeed remarkable. When the Chancellor of the Exchequer, Mr. Macmillan, announced on Dec. 4 the figures of Britain's gold losses during November, the weakening of the gold reserve further accentuated the widespread feeling of pessimism towards the prospects of sterling. Even though he foreshadowed measures for reinforcing the gold reserve, his plans appeared to be vague, and he was not in a position to announce any definite arrangement. Most of the proposed measures depended on agreement with somebody else, and in this respect the experience of the last few months did not appear to be encouraging.

In a matter of days the picture changed completely. The announcement of the arrangement with the International Monetary Fund was in itself sufficient to restore confidence in the technical strength of sterling. Apart from the substantial immediate facilities placed at Britain's disposal, the I. M. F. is also prepared to arrange for stand-by credits, the very existence of which should go a long way towards discouraging speculation against sterling. The possibility of dollar credits through the Import-Export Bank was also foreshadowed. Nor can there be much doubt that Congress will agree to the application of the waiver clause to this year's interest payment on the loan of 1946.

Weakness Due to Speculation

The publication of the overseas trade figures of the United Kingdom for November showed beyond doubt that sterling's weakness during that month was not due in any way to a deterioration of the balance of payments. Export figures were favorable, and the adverse visible balance of payments was exceptionally small. Even though this was due to some degree to the delay in imports resulting from the Suez situation, it clearly indicated that the weakness of sterling was entirely due to speculative anticipation of its devaluation.

Debtors deferred sterling payments, and everybody who was in a position to go short of sterling had done so to the utmost limit of possibility. While this was a source of weakness in November, it has become a potential source of strength now that sterling is no longer viewed with pessimism. The extent of the short position in sterling must indeed be very substantial. As a result of the relaxation of exchange control, many foreign dealers managed to secure credit facilities that enabled them to run up short positions. These will have to be covered during the coming months, and the long-overdue payments for British goods will have to be effected sooner or later. Most banks outside the Sterling Area, having reduced their holdings of sterling to the indispensable minimum, will have to replenish their balances. The same is true concerning other foreign firms who need sterling for their business transactions. Orders for British goods, which have been deferred in anticipation of a devaluation of sterling, will now have to be placed.

The mere existence of the substantial dollar facilities secured in order to reinforce the technical position of sterling will make the use of these facilities superfluous. In addition to these reinforcements of the gold reserve, there is bound to be a very substantial genuine influx of gold during the coming months.

Having regard to the above facts, the extent of the recovery of sterling witnessed during the second week of December may appear surprisingly moderate. Sterling is only slightly above its support point of 2.78¼, and it is still at a discount. Although the rates of transferable sterling and security sterling showed improvements, their discount remains abnormally wide. It is no wonder the Soviet Government took advantage of the situation for securing cheap transferable sterling with the aid of the proceeds of sales of Russian gold in Switzerland.

Horizon Is Not Cloudless

Admittedly, the horizon is by no means cloudless. There is the danger that the British trade unions which refrained from pressing excessive wages claims during the crisis will now redouble their efforts to secure wages increases which Britain could ill afford to pay. The evidence of the increase in the gold reserves, whether through the special dollar facilities or through the turn in the tide of sterling, is liable to weaken the attitude of self-restraint which is so essential from the point of view of safeguarding the competitive capacity of British industries.

Once the turn of the tide has been realized, there will be a growing pressure on the Government to relax the credit squeeze. Yet the trend of interest rates abroad is distinctly in an upward direction, so that a reduction of the British Bank rate would be detrimental to sterling. Even so, the business world is becoming increasingly discontented with the high interest rates and with the curtailment of credit facilities.

Even if we allow for all these considerations, and for the possibility of further difficulties in the Middle East and elsewhere, there remains a sufficiently strong balance of optimism in regard to the prospects of sterling. It is safe to assume that the crisis of sterling is now over, and that the history of 1949, when the Government was forced against its wish to devalue sterling, will not repeat itself. It is to be hoped that the improvement of the technical position of sterling will not weaken the Government's determination to do its utmost to strengthen the fundamental position by resisting the rise in prices and curtailing excessive consumer demand.

Schwabacher & Co. Opens New Office

SAN JOSE, Calif. — The growing importance of San Jose as a financial center is further confirmed with the announcement that Schwabacher & Co., one of the West's oldest and largest investment firms, is moving to new and enlarged quarters at 88 North First Street.

A. E. Schwabacher

The 3000-square foot, highly modern quarters will house an enlarged staff of 12 people. The investing public will be served by the most modern facilities, including a large and scientifically lighted quotation board, a Trans-lux instantaneous quotation tape and Dow Jones News Ticker. The San Jose office of the investment firm will be connected with private wires to all major markets.

Rapid executions for clients' orders are assured through Schwabacher & Co's membership in all major stock and commodity exchanges. The San Jose investing public will be aided by the investment firm's fully equipped research and analytical department.

The San Jose office of Schwabacher & Co. will be under the direction of Jay E. Gibson, Resident Manager. The firm's staff of Registered Representatives is composed of seven well-known San Jose residents, all prominent locally in business and civic affairs. They are Horace H. Gaffney, Frederick C. Dorr, Carl L. Dierkes, Gerald A. Nelson, Frank M. Wilson, William H. Pabst, Jr., and V. Mac Taylor.

Glore, Forgan & Co. To Admit Partners

On December 31st Glore, Forgan & Co., members of the New York Stock Exchange, will admit Gerald T. Hodge and Bertel T. Malmquist to partnership. Mr. Hodge will make his headquarters in the New York office at 40 Wall Street. Mr. Malmquist will be in the Chicago office, 135 South La Salle Street.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

While the policy of most of the major New York City banks in recent years has been to disburse as dividends somewhere in the neighborhood of 62% of operating earnings, when the full record is set down it cannot be said that they have been niggardly with the shareholders. Despite the fact that several of them have gone to their stockholders for new money through the issuance of rights to subscribe to additional shares, it would be inaccurate to say that such flotations arose from uncomfortable deposit-capital funds ratios.

The quest for new capital funds and the husbanding of, let us say, 38% of operating earnings, has the same motivation, the need for fresh funds to put out into the loan market in a period when rates are the highest that the banks have had since the 1920's. The result of this, as has been brought out so often, has been to put bank earnings to new highs.

Also, as has been observed here, bank stock prices have not kept pace with earnings, hence price-earnings ratios have, in a majority of cases been in a declining trend; and, further, the rate of operating earnings on capital funds has been in an up-trend. These two factors emphasize the fact that bank stocks have been on the bargain counter when compared with the like statistical bases of the blue chip industrial common stocks.

As to dividends, as the average ratio of pay-out to operating earnings has held close to the 60%-65% area, there must have been, with earnings higher, increases in annual rates. And this has been so.

In our tabulation of five-year payments only Empire Trusts's rate has remained unchanged; but even in this case the dividend has increased because of the two stock dividends while maintaining the $3 rate on the new capital set-up. The stockholder in an instance of this kind, receives more dividend even though the rate remains unchanged.

The first tabulation gives a five-year record of per-share dividend payments, 1952-1956 inclusive. Adjustments have been made for stock dividends and for split-ups. Further, in the cases of three of the large mergers, Bankers-Public; Chase-Manhattan; Chemical-Corn Exchange, the data is on a pro forma basis, that is, it combines the dividend payments of the two merged banks to give a fair comparison.

It will be noted that there have been numerous stock dividends, and four splits. Hanover Bank led in the number of stock dividends, three of them in the five-year span, besides a two-for-one split in 1955. Chemical had two 10% stock dividends. There has been no effect in the table given to rights, although these had some value.

The second tabulation gives the percentage by which the 1956 dividend payments exceeded those for 1952. Here it is a little surprising to find that two of the more conservative banks as viewed by investors, Bank of New York and Irving Trust, have been the star performers. Incidentally, the change by Irving from $1.10 in 1952 to 75 cents in 1953 was not a reduction; it was merely a shift in the payment dates.

Per-Share Dividend Payments

	1952	1953	1954	1955	1956
Bankers Trust	$1.95	$2.09	$2.23	$2.60	$2.80
Bank of New York	8.00	9.00	9.00	10.50a	12.50
Chase Manhattan	1.60	1.60	1.76	2.20	2.25
Chemical Corn Exch.	1.69	1.82d	1.96	1.85e	2.00
Empire Trust	2.70n	3.00n	3.00	3.00	3.00
First National City	2.00	2.05m	2.30	2.50	2.60
Guaranty Trust	3.20	3.50	3.55	3.70	4.00b
Hanover Bank	1.33	1.33	1.50f	1.62g l	1.75h
Irving Trust	1.10	0.75	1.30	1.30	1.70
Manufacturers Trust	1.30	1.40	1.50	1.60 i	1.71
J. P. Morgan & Co.	8.33	8.33	8.74c	10.00	10.00
New York Trust	2.50	2.75	2.75	3.00k	3.31
United States Trust	3.20	3.20	3.20	3.20	3.50j

a Plus a stock dividend of 100%.
b Plus 20% stock dividend.
c Plus 20% stock dividend.
d Plus 10% stock dividend.
e Plus 10% stock dividend.
f Plus 12½% stock dividend.
g Plus 11 1/9% stock dividend.
h Plus 20% stock dividend.
i Also 2-for-1 split.
j Also 5-for-1 split.
k Also 2-for-1 split.
l Also 2-for-1 split.
m Also 4.17% stock dividend.
n Also stock dividends of 12½% in 1952, and 11 1/9% in 1953.

Dividend Changes 1956 Over 1952

Bankers Trust	+44%	Hanover Bank	+31%
Bank of New York	+67	Irving Trust	+55
Chase Manhattan	+40	Manufacturers Trust	+32
Chemical Corn Exch.	+ 9	J. P. Morgan & Co.	+20
Empire Trust	+11	New York Trust	+32
First National City	+30	United States Trust	+ 9
Guaranty Trust	+25		

Continued from first page

Lessons for Us in the Question—Was Gold Standard Doomed?

cast to the four winds the fundamental rule of capitalism, the sanctity of contracts. Never before have financial statesmen more flagrantly sacrificed their own principles, or risked the stability of their systems, for the sake of expediency and momentary relief.

This was "revolution from above," with revolutionary consequences. Within five years, every country—with the exception of Venezuela!—had changed the gold content of its currency. Once the ice was broken and traditional decency in international finance discarded, it became permissible to do anything with the monetary and fiscal systems that suited the politicians and the pressure groups. The era of money cranks was ushered in. Their heyday is gone, of course; now, the consequences of currency and fiscal manipulation stare the nations in the face. Inflation is only one among many consequences.

Why and how did Britain leave the gold standard? This is not an academic question. The myth about the "breakdown" of the gold standard still is a political force. History should be a source of inspiration—about the dangers this country is courting—"again and again."

From All-Round Illiquidity to Wholesale Liquidation

The runaway inflations which swept Europe after the first World War were soon brought to a halt; Czechoslovakia set the deflationary example in 1919. One country after another restored gold convertibility and stable exchange rates, balanced the budgets, reduced and consolidated the national debts. The return to the classical precepts had the consequence of enhancing the credit standing of domestic and foreign would-be debtors — and the credulity of the investors. And monetary policy acquired new, overriding objectives. In the 1920's, behind the facade of an apparently rejuvenated gold standard, the leading monetary managements adopted vague welfare concepts as their objectives, meaning in effect ample credit at artificial interest rates. In practice, this amounted to a hands-off policy toward the skyrocketing domestic and international debt structures. Over-optimism became rampant, with ample speculative heedlessness and actual fraud thrown into the bargain, as is usual in runaway booms, but on a larger scale and with broader involvements than ever before.

The relevant fact is that the elementary "rules of the game" of the gold standard, notwithstanding its restoration, were systematically disregarded. Liquidity rules, in particular, fell into virtual oblivion. Characteristically, it became fashionable among economists—who tend to rationalize prevailing practices into eternal maxims of conduct—to replace the orthodox concept of liquidity by that of shiftability, a practice of long standing in the operations of German banks, in spite of the recurrent troubles it had caused them. Shiftability means to the banker not the genuine reflux of loans but rather the facility to shift them onto the investor by way of issuing corporate securities. Another and even more influential school of academic thought declared liquidity to be a nonessential idea, simultaneous liquidation of all credit in a system of fractional reserves being a physical impossibility, an argument similar to the one that denies the existence of any competition on the ground that there is no perfect competition. Actually, lip-service to the liquidity rules continued unabated, but with reliance on shiftability of assets on an incredibly buoyant securities market. This permitted a relaxation on the crucial principle of commercial banking; short-term deposits were sunk into "brick and mortar." When the magic wand of the New Era and of its Eternal Prosperity was lifted, a fantastic debt volume confronted the creditors, one that had no counterpart either in the servicing ability of the debtors or in the absorbing capacity of the capital markets.

Perhaps the most spectacular situation of this sort, most fatal to the gold standard, was the *denouement* in the field of international bank-to-bank loans. Before World War I, this type of capital flow served to finance genuine exports; or they arose as arbitrage transactions to take advantage of interest rate differentials between financial centers. Their total volume was limited accordingly. In the 1920's, an unusually large and persistent differential between the interest rates of the Anglo-American money markets and those of Central Europe induced the former to keep huge funds in the latter in a more or less permanent fashion. At first, the form of rediscounting trade acceptances of German, Austrian, Hungarian, or Latvian banks was observed, but the "formality" of attaching shipping documents dropped; pretty soon, all control over the use of funds had been discarded. The Central European banks, in turn, relying on an apparently inexhaustible credit supply from London and New York, to lesser extent also from banks in other countries, proceeded to finance reconstruction, rationalization, technological progress, or by whatever name the expansion—and the stocking up of inventories—went. Sooner or later the irresistible forces of a recklessly enlarged productive capacity had to collide with the immovable resistance offered by a limited and often inelastic demand for the products. Huge credit inflations supported monopolistic prices and sticky cost structures and made the overexpanded and inflexible system unadaptable to new conditions.

The Crisis

The resistance first appeared in the raw material markets. Technological progress in agriculture, especially, was sensational; so was the growth of the farm debt that financed it. Within a single year, costs per bushel of wheat, as an outstanding example, were virtually halved. In western Canada "1925 was the first year in which combines of the modern type made their appearance in considerable numbers. The costs, estimated on the basis of one machine harvesting 600 acres, each yielding 20 bushels (of spring wheat), were 9½ cents per bushel for the whole operation, as against 17½ cents per bushel by the old method of binder followed by thresher." ("The Agricultural Crisis," League of Nations, 1931.) Declining costs per unit of agricultural output went hand in hand with an increasing volume of output and decreasing per capita consumption, adding up to falling prices and farm incomes. The same result took place in manufacturing under the impact of an unprecedented technological advance, though it was slower in materializing. The industrial overproduction — the backdrop of which was the credit panic—may be illustrated by one example. In 1919, when the Upper Silesian industrial *revier* was divided up between Poland and Germany, each side received one of the area's two coking plants. The one on the German side was controlled by a *consortium* headed by one of the Berlin Big Four; call it Bank No. 1. (This German system of industrial finance does not necessarily imply ownership by the respective bank of stock in the debtor corporation, but rather that most of the business of providing working capital as well as leadership in underwriting syndicates was in its hands.) Came the flood of foreign loans after 1924, and the race among the banks was on. Bank No. 2 offered to finance a new coking plant for its friends in Upper Silesia; prestige considerations moved, in turn, Banks No. 3 and No. 4 to do the same, each new plant bigger and better than the previous ones. By the time the 1929 crisis broke, the German area alone had at least four times the coking capacity of 1914, out of all proportion to the growth of populations and markets.

Most of these and similar expansions (on a world-wide scale) were financed either by short-term bank funds, or by the issue of shares and long-term bonds. Ultimately, the uninhibited flow of funds stemmed from New York and London; indirectly, from Paris as well.

It has been pointed out that the summer of 1931 was crucial for the Great Depression, dividing it into two distinct parts. The first was of the "conventional" kind, as it used to occur at five to seven years' intervals. The impact of the depression was being cushioned at first by governmental stockpiling and by central bank credit which helped to postpone the evil day—and to make it worse. The intense plunge the cycle took thereafter, the like of which had not been witnessed since the simultaneous "bursting," about 200 years earlier, of the South Sea bubble in England and of John Law's experiments in France, began with the massive default of agrarian countries on their long-term debts; Britain was the chief sufferer. The break-down of Central Europe's banking systems was the proverbial last straw. The failure of the Vienna "Kredit Anstalt" gave the signal; it was followed by a run on the German banks which defaulted on their foreign obligations, totaling $2½ billion, or 80½ of their deposits. Again, London was the leading creditor; it had borrowed on short term from Paris and elsewhere, and lent out the bulk to Continental institutions, also to German municipalities. The next step after the German bank panic would have been the bankruptcy of the London "acceptance houses," if not of the big banks, had it not been for the Bank of England's fateful decision to save them—by unpegging the pound from gold, in turn forcing the central banks of other countries off the gold standard. The insolvency of the world's leading financial institutions, camouflaged behind devaluations and foreign exchange restrictions, was a decisive factor in prolonging and deepening the cyclical reversal into the Great Depression.

The Slow Erosion of the Gold Standard

What ever theory of the business cycle one may adhere to, this much is beyond controversy; had the backbone of the wild boom been broken appreciably before October, 1929, the depression's edge would have been dulled, to say the least. The central banks had ample power to do so. And there was sufficient evidence, at least after mid-1928, of the dangers ahead. The progressive weakening of raw material prices should have called for a revision of inventory loans and international credits. The Florida real estate crash was another signal that was not needed. Unscrupulous stock market maneuvers actually did induce the Federal Reserve System to repeated warnings, but to no action other than a belated and mild increase of the rediscount rate that had been lowered previously. A further indicator, that was unpublicized at the time but could not have escaped the American authorities' attention, was the fact that the German banks' position became precarious in 1928 when the flow of foreign funds had been diverted westward —to the New York Stock Exchange. If only to restore something akin to normalcy" in international finance, an avowed objective of Federal Reserve policy at the time, clamping down on street-loans should have been mandatory.

This is one example of the drift of central banking in the 1920's. From guardians of the gold standard, the note-banks turned into missionaries of a Good (international) Society. Instead of using the market rates of interest as gauges by which to orientate their own policies, they were bent on holding them low in order to maintain the ample flow of credit. Instead of enforcing liquidity standards, they had been contributing effectively to their deterioration. They did nothing appreciable to check the reckless inflation of the debt structures, domestic and foreign, or the clearly excessive trend of "trading on the equity." They became, and not altogether unwittingly, the "gravediggers" of the same gold standard which they were anxious to restore and to which they were paying unrelenting lip-service. This policy, or the absence of policy, could scarcely be excused as having been forced upon them by political powers or public opinion—to both of which they bowed, often against their own better knowledge—because their independence was sufficiently guaranteed to permit rational action. But the central bankers were also carried away by the boom psychology that swayed the business community. And, they drew self-justification from the economic myth that "the King can do no wrong"—Business being the King, the creator of that miraculous thing called Eternal Prosperity. The further the boom progressed, and the more vulnerable it became, the more receded the money managers' courage to take the responsibility for a potential "blow-up."

The prime sin against the spirit of the gold standard was to permit the reckless course toward illiquidity, the overexpansion of debts. The malinvestment of short-term credits alone had to lead to their forced liquidation; but the panicky effects and their malignant repercussions had been magnified by the pre-crisis accumulation of an unruly volume of long-term debts. The mushrooming of the latter went hand in hand with speculative malinvestments on a scale unprecedented on the Continent; their disclosure shook the public's confidence in the whole financial system. But that was only part of the story. As leading banking houses went into default, or were under run, the owners of securities became panicky and proceeded to liquidation. The exorbitant quantity of "paper" thrown on the markets, and their consequent depreciation, frustrated any attempt to consolidate the short-term loans. In debtor countries like Germany, the gold standard mechanism became inoperative, as it were, because one of its essential keys, the ability to attract capital by boosting the discount rate, was unworkable under such circumstances. When in July, 1931, the run on the Big Four of Berlin got underway, the Reichsbank raised its rediscount rate to 10%, but in vain. In the absence of public confidence in ultimate repayment, the high interest rate, instead of attracting capital from within the country and from without, poured fuel on the fire of the panic by reinforcing the presumption that the situation was desperate.

In the 1920's, the gold standard had been eroded on the periphery by the inflexibility and immobility of illiquid financial institutions. These had lost their freedom to liquidate without catastrophic repercussions any appreciable portion of outstanding short-term loans, and even to refuse to extend new ones to the overindebteded borrowers. The erosion at the center itself was scarcely less fateful.

The Breakdown of the "Internationalized" Gold Standard

It was not the gold standard that broke down in the Great Depression; *primo loco*, it was a speculative bubble that burst. Maladjustments were permitted to accumulate to an intolerable degree. A reversal of the debt inflation, its mere stopping, turned the unavoidable self-correction of the cycle into a devastating liquidation. When the automatism became fully effective, as it ultimately had to, it worked "too well." The deflation was of unprecedented violence and duration.

The difficulty of checking the deflation by monetary action was due in no small part to the weakness of the central banks. Having engaged their resources during the boom, most of them entered the crisis in a condition that alone made large-scale rescue action—Walter Bagehot's (1856) famous imperative for central bank behavior in a panic — extremely difficult. Their own credit was impaired, or at least vulnerable, as a consequence of two sets of policies which had vitiated basic tenets of the gold standard. Instead of keeping aloof from the boom, they permitted themselves to be drawn into it. Money markets were permanently "in the (central) Bank" long before the great crash. The last domestic reserve of the respective credit systems had been fully drawn upon in good times, allowing for no recourse in bad times. This was true, especially, for Germany, Italy, and their Eastern and Northern neighbors, to a lesser extent also for the West, not so for France, Holland and Switzerland.

Another development of the Twenties was equally loaded with financial "dynamite." It involved practically all central banks, either as creditors or as debtors, or in both ways. A totally new departure in monetary history, it shared in the responsibility for the bankruptcy of a majority of note-issuing institutions (a bankruptcy that still is being confused with a breakdown of the gold standard). This development consisted in subtle, almost invisible, twists of central bank behavior, sometimes referred to as amounting to a change from the gold standard to the **gold exchange standard**, or the "internationalization" of the separate national systems. A novel technique was injected into the arsenal of traditional note-bank policies and became a major factor in prolonging and magnifying the boom as well as the subsequent catastrophe.

It started with the U. S. dollar loans during World War I to peg the pound sterling and the French franc. This was discontinued, but the idea of **central bank co-operation** in the framework of the gold standard, to guarantee stable exchange rates, had taken root — destined to be institutionalized after World War II. (Through experiments like the Tripartite Agreement of the 1930's, the idea materialized in the Bretton Woods set-up and in the American-Canadian loan of 1946 to Britain, to be inflated ultimately, with its objectives broadened immeasurably, as America's Foreign Aid.) In the Twenties, it had not progressed beyond an informal but nonetheless highly effective, and eventually disruptive, mutual support of central banks. Their policies were to be co-ordinated by what was supposed to be collective, supra-national interests. The 1925 and 1927 agreements between the New York Federal Reserve, the Bank of England, the Reischsbank and the—reluctant—Bank of France, to keep the American rediscount rate low was a "classic" specimen of this sort of cooperation.* The repeated warnings of the then Secretary of Commerce, Herbert Hoover, that this policy spelled "inflation, with inevitable collapse," were to no avail. In order to stimulate the capital flow to Europe, the New York rate was lowered in August, 1927, to 3½%. That facilitated keeping the London rate under 5% to support the British Treasury in converting the outstanding 5% war loan.

The Vicious Gold Exchange Standard

But co-operation was not the leading motive in the growing practice of central banks to hold short-term claims against foreign money markets in lieu of gold. The practice was serving to utilize the "unproductive" gold holdings and to "economize" on gold. It did so, indeed. The identical gold reserve could be used as currency coverage in two and more countries simultaneously. The National Bank of Yugoslavia may have kept in its portfolio a gold claim on the Netherlands Bank; the Dutch institution might have acquired bills on London; and the Bank of England, a balance in New York. Each of them counted the same amount as part of its gold reserve — of the monetary base, multiplying three-fold the credit-expansion potential of the world. More often, the international credit - base - multiplier was only two. It turned into a divisor when the process went into reverse. At the end of 1928, the total of *devisen* (claims against foreign centers) held by all central banks amounted to $2.476 billion, the share of the Bank of France accounting for 51% of the total. London—the Bank of England — was the chief debtor, as New York was to be later, in this gold exchange standard system. On top of that, the London City was indebted on short-term to foreign commercial banks as well. The British banks in turn lent out these funds, also on short-term and at a higher return, on the Continent.

By the end of May, 1931, the Bank of England was in a vulnerable situation. London's short-term foreign obligations amounted to over $1,600 million; its claims, to some $600 million, mostly in balances with Continental banks. When by mid-July, the later was blocked, the gold reserve of about $600 million, plus a credit of 130 million pounds sterling from the Federal Reserve and the Bank of France, could not cover all that was due to foreign creditors. Yet, monetary defense measures still were perfectly feasible; in previous crises, in equally bad situations, the Bank had raised its discount rate as high as 6%; to 7% in 1925, without a crisis, to facilitate the return to gold; to 10% in the 1857 crisis. This time, it did not increase the rate until late July, then to 3½% only, and on Sept. 21, 1931, it went "off gold" at 4½%. It did so barely more than 48 hours after the last of many solemn public declarations that it would never abandon the gold standard; and specific assurances to the same effect given to such creditor institutions as the Bank of France and of Holland.

***Before 1914, central banks helped each other on rare occasions. Such was the case in the Baring crisis of 1892, when the Bank of England borrowed gold from its French and Russian colleagues.**

The Breakdown

It was this sort of gold exchange standard—an illegitimate offshoot of the gold standard—that "broke down." The breakdown might have been averted, as it had been averted in the panics of the 19th Century, if the Bank of England had resorted to the time-honored measures of monetary control to convince the creditors of its ability to pay. The Bank was not alone to blame. What made the foreign creditors panicky under the circumstances was the hesitancy of the Labor government to put its financial house in order. Their run on sterling was caused by the fear of its forthcoming devaluation. Yet, this fear could have been dissipated. Balancing the budget was a foregone conclusion by mid-September, 1931. (The deficit did not amount to much anyway.) Actually, confidence in sterling was restored after the event by the very same deflationary measures whose avoidance was used for the *post facto* justification of the devaluation: raising the discount to 6%, and cutting public expenditures by about 10%. In any case, the unpegging and arbitrary depreciation constituted a breach of contract, of good faith, committed not by some "under-developed" country, but by the symbol and focal organ of the capitalistic system—the survival of which is dependent on the "sanctity" of contracts.

The fact remains that no serious attempt was made to save the gold standard. Nor was the devaluation presented as an emergency measure. On the contrary, it soon became clear that a new monetary system had been created; a paper money convertible in to gold—at a gold price to be regulated as the Management might see fit; or left to the whims of market forces; a gold standard **minus** exchange rate stability. It is difficult to believe that the responsible men had "lost their heads" and acted on panicky impulses. But the "inside" story of that momentous event is one of the Century's best guarded secrets.

True Enough: Now the Future

"It is undeniable that, whatever motives Britain may have had of acquisition and self-interest, she has always tried to do her best for the inhabitants of her colonies. She has trained them to be efficient civil servants; she has taught them how to profit from their own natural resources. When Britain left India there was a vast network of irrigation canals and railways, even modern steel mills. India was economically and educationally far more advanced than China or Thailand or Afghanistan or many Middle Eastern countries which had never been governed by Britain. It would be as wrong to discount the benefits Britain has brought by her occupations as it would be to pretend that her only purpose has been altruistic." — Woodrow Wyatt, former British M. P.

So much for the past; now Britain is called upon to face the future and to map out appropriate policies and programs.

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Observations . . .

Have no concern with being proved "right" or "wrong," at least over the short-term.

In any event, don't look at the market action of a particular stock shortly after you have either bought or sold it. (In either case, your judgment may be warped, in addition to the possible pain entailed.)

Beware of persistent reference to "the" market, overlooking divergence.

* * *

DEALING WITH INFLATION — AND DEFLATION

Realize that there are a number of anti- as well as pro-inflation forces.

In all countries, even Germany and France midst their inflation eras, as well as in the United States inflation has not been a one-way street.

During major inflation intervals, the rentier has fared badly; but even equity selection is shown by the record of unpredictable divergence to entail great uncertainty of protection.

Common stocks as a group should never be held *only* because of their inflation-hedge attributes—and in the U. S. currently, in view of available values, they need not be held even primarily for that motivation.

Inflation influences on the economy and business should be taken into account only as one of many factors determining over-all portfolio policy, and in the appraisal of individual shares.

The investor should now as always have part of his capital in common stocks, carefully chosen according to value standards and diversified among industries and companies including both inflation- and deflation-hedge issues, as an integral part of his assets; with the latter also diversified to include government bonds and other fixed interest securities.

* * *

ESTATE PLANNING

Don't let emotional foibles, as parental emotional insecurity, interfere with logical estate provision.

Use the "bite," or instalment, technique to make gradual transfers while you are still around.

Preserve the maximum of *flexibility* in trust provisions.

In setting up a trust, maintain full investing flexibility, including an absolute minimum of "*pro forma*" restrictions.

Buy life insurance for protection, not for investment attributes.

* * *

ON TAX CONSIDERATIONS

In making an investment decision, realistically and hard-boiledly apportion the consideration warranted by the tax incidence; bearing in mind the tendency on the one hand, to underemphasize it in connection with realization of capital appreciation, and on the other, to overemphasize it in year-end operations for gain or loss registration purposes.

* * *

YOU AND YOUR COMPANY

As a yardstick for management performance, use *comparative* technique—*vis-a-vis* other companies in the industry. Per the dictates of corporate democracy, each stockholder, no matter how "humble," must exercise all of his privileges and prerogatives.

In his relationship with his company, the stockholder's attitude should primarily and constantly be based on his role as an owner of the business.

THE AUTHOR

Ted Hallock was sent to the Soviet Union during the period July 13 to Aug. 15 to tape-record interview material for broadcast within Oregon. His trip was sponsored by his employers, J. Henry Helser & Co., investment managers headquarters in Portland, Ore.

Hallock was sent on a similar mission in September, 1952 to England, to record a series on British socialism. The resulting broadcasts received an award by the English-Speaking Union of the United States and a citation by Ohio State University.

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Soviet Russia Interviewed

and eating out), and about 50 on "books and entertainment." The balance, after buying clothes—both were smartly dressed by Soviet standards—"we may save or we may spend."

Did they save at a bank? "Banks do exist, but it's not really necessary to use them. We can keep our money at home. It is too difficult to go to a bank to get money." There was, of course, no need to provide for medical emergencies, George reminded us, because everything is provided by the state—except toothpaste, vitamins, soap, etc.

"Our vacation is our biggest expense. My stipendium continues during the summer, but transportation from Leningrad to Odessa, living at this expensive hotel, entertaining at night — all these cost very much."

Did George hope to own his own automobile some day? "Yes, but they are very expensive." George didn't seem very much concerned over whether or not he saved enough money to buy one in the future. Nor did he mention a possible family or anything about having his own house. The "here and now" was singularly all-important to this couple.

Gyorgy Ivanovich Arkadyev is first assistant to the chairman of the city executive committee in Kiev, third largest Russian city (population: one million). He received us in his spacious "city hall" office on Kreschashik Street. The 50-year-old former engineer is an elected official, similar in capacity to a U. S. vice-mayor.

To better define the administrative status of a Soviet municipality, within the over-all governmental orb, Arkadyev delineated briefly the USSR's chain of command.

Government Structure and Organization

Running the state, from Moscow, is the Supreme Soviet—comparable to our Congress. Bicameral, it comprises the Council of the Union and the Council of Nationalities. The first house is elected by general suffrage for four years. The second comprises elected representatives of each republic, autonomous region, autonomous area, and national area (there are 15 republics; 170 nationalities). The Russian Federated Republic is largest in the Soviet Union, encompassing 60% of the USSR's population and 60% of its land mass.

The Supreme Soviet of the USSR convenes once or twice a year, for from a week to two at most.

Governing body of the Supreme Soviet is the Presidium, which includes a chairman, one vice-chairman per republic, and 45 members. Conducting All-Union business when the Supreme Soviet is not convened, it is headed by chairman Marshal Voroshilov.

The executive branch of government is embodied in the Council of Ministers (comparable to our Cabinet), presided over by Marshal Bulganin as chairman.

Both bodies are divorced per se from the Communist party. Nikita Khrushchev is first secretary of the party's central committee, holding no government position.

Each of the 15 federated republics parallel the central government in structure, save that their Supreme Soviets are unicameral. Each has its Council of Ministers and Presidium of the Supreme Soviet. The republics are: Russian Federated Republic, Ukraine, Byelorussia, Uzbekistan, Kazakhstan, Georgia, Azerbaijan, Lithuania, Moldavia, Latvia, Kirgizia, Tadjikistan, Armenia, Turkmenistan, and Estonia. (Our Intourist guide in Kiev was unable to name all 15.)

Law is enacted by the All-Union Supreme Soviet and by individual republics. Presidiums of Supreme Soviets can issue decrees which have the immediate effect of law, during periods when the Supreme Soviets do not sit. Such decrees are later ratified or repealed by the full legislative body.

In a municipality, the Session of the City Soviet is the top governing body. Kiev's Session comprises 647 members, who are elected from the city's 647 precincts. It convenes once every two months. In turn, the Session elects from within its membership the city executive committee (21 persons), which governs when the Session is not meeting.

This committee (chairman, vice-chairman, six deputy chairmen, 13 members) resembles an American city council—each member is assigned a phase of local administration. Arkadyev handles budgets and finance.

Kiev Described by Municipal Engineer

Kiev's biggest problem, he told me, is "fulfilling the plan"—the sixth, five-year plan, which ends in 1960. Arkadyev is not a Communist party member; he noted, for example, that 30% of the chairmen of USSR collective farms did not belong to the party. He did not know how many communists there were in Kiev.

Arkadyev was elected from his precinct according to normal Soviet nominating and election procedures: Trade unions, collectives, cooperatives, and the Communist party each endorse a potential candidate. Then they lobby the other groups to accept their man. On the final ballot only one nominee appears for each post. One votes for him or one does not vote. No provision is made for write-ins.

There are 32,500 residential dwellings in Kiev; 20,000 individual houses and 12,500 multiple-dwelling units. All belong to trade organizations or to the state. The city covers 60,000 square kilometers (one kilometer equals .62 mile), of which 12,000 are under construction. Arkadyev estimated 60 to 70 square meters of space in an average family dwelling (one square meter equals 10.76 square feet). He did not estimate the number of individuals living **within** the "average family dwelling."

The city's center was 85%-destroyed by German shelling during World War II. In all, Kiev suffered wartime property damage totaling 10 billion rubles ($2.5 billions). It plans to spend seven billion rubles ($1¾ billion) in capital investment — building by 1960 1,200,000 square meters of living space, 60 schools, another bridge over the Dnieper River, two multi-storied tourist hotels, hospital space for 5,000 more beds, and 4,000 new restaurants and shops.

No natural gas was available in Kiev before the war. Now—piped in from the western Ukraine—gas is used in 90,000 flats and 900 industrial enterprises. Suffering a bad water supply (the small and contaminated Dnieper), Kiev has nonetheless upped its capacity per individual from 60 liters before the war to 170 liters today (one liter equals 1.06 quarts). Artesian wells supply water for industry, however.

Kiev's annual income is 842 million rubles ($210 million). Its outgo is 833 million rubles ($208½ million). The surplus, together with surpluses from other Soviet cities (when and if they occur), is given to republics or cities which run deficits or cannot create appreciable income (as in the Crimea, where sanitoria and their patients are the major, and profit-less, business). Kiev derives 83.3% of its income from taxes levied on all industrial enterprise, and by collecting 100% of all profits from city-owned business and industry. In addition, each single dwelling pays 70 kopecks (17½ cents) per square meter of living space (10.76 square feet) per year in taxes. Taxes are also levied on farm use of buildings and land, and sales taxes account for between 80 and 90% of the retail cost of many items. Additionally, the individual worker pays income taxes aggregating, at minimum, 8% of his income and, at maximum, 13%.

Kiev's Budget

Half of Kiev's budget is spent on schools, theatres, and "general cultural projects." More than a third goes to industry. About $58 million are spent on hospitals, clinics, doctors, and nurses.

Because Kiev has only 5,000 private automobiles, 200 motor buses, 600 taxis, and 400 electric trolley buses, Arkadyev admits that public transportation "is bad," and describes the city's building plans for the first leg of a new subway.

Describing Kiev as the "scientific center of the USSR," Arkadyev recited some interesting statistics in documentation (impressive figures when applied to an American city of the same size). Kiev has 220 elementary and secondary schools, 150,000 pupils, 19 colleges and institutes, 31 technical or professional schools, 7,000 teachers, 60,000 college students, 12 museums. Kiev University, with 13 separate faculties, enrolls 10,000 students. The city has spent 20 million rubles ($5 million) since the war on new university buildings; plans to spend 350 million ($87½ million) more.

Arkadyev listed proudly 59 medical clinics or hospitals, with 12,000 beds; seven maternity hospitals; 83 nurseries, with 6,500 beds; 193 kindergartens, with 18,000 desks; 5,000 doctors, and 7,000 nurses.

How does an unhappy citizen complain to the Kiev executive committee? Arkadyev said "Each day two members of the council share the duty of keeping interviews with our people; one man receives visitors in the morning and one in the afternoon. Anyone can write a letter to the committee listing complaints or ideas, and many do. If we cannot give the citizen satisfaction then we refer his letter to the government of the republic, or even to the All-Union government in Moscow, if necessary for appropriate action." No one, Arkadyev said, writes in criticism of the basic policies of the state, however.

A Latvian Forced to Beg

An unemployed Latvian stoker in Odessa preferred being interviewed on a park bench rather than risking "trouble with the bad men." Arrested in Riga during 1946 for buying tobacco on the black market, he was sentenced to 10 years in prison and had served 5½ years when granted amnesty in 1952, following Stalin's death.

Stunned by the severity of the government's treatment of him for his crimes, ex post facto, he told me: "I am a man of wood. I will have no rights until 1959. I cannot work. My papers are branded. (He showed me his identification documents which were rubber-stamped 'criminal.') I haven't black bread."

Aside from begging, daily, for food and money from his friends, the ex-sailor receives three rubles (75 cents) a day from his mother, who earns 600 rubles ($150) monthly in a factory. The state gives him nothing. "I cannot speak publicly. I cannot attend meetings. Every door for me is closed." These words sound artificially dramatic until you hear them personally from an adult male on the verge of tears.

He continued: "Stalin was bad, but I knew it before he died, because Stalin really died (mentally —as a communist) 30 years ago. Zhukov is a fine man and in three or four years he will be our leader. Also Bulganin, Malenkov and Voroshilov are good men. They make for everybody a good life."

Pausing between alternate praise and condemnation for the regime, the stoker opened his shirt to show us (myself and Arden Pangborn, editor of the "Oregon Journal") machine-gun bullet wounds which he had received while staging a short-lived escape from prison camp in 1950. He was bayoneted and beaten after being re-arrested. He said he learned "much about espionage while in jail. British and German spies were in with me. They taught me English and other things. Today there are many Russian spies (he pointed to two men strolling past our bench, in identical plainclothes; 'I have seen them before'). Every other person is watching his neighbor. You can't trust the 'comrades' and they can't trust each other. Plain average people spy on each other because the government pays money for the things they say. It is our system."

What did he feel about his native Latvia? "I am helpless in it. It is a rich country but nobody is successful. They have us keep the government strong and the army big. Our people hear at elections only that if we stay strong no country can conquer and Russia will always defend us.

"Russians are good people but they are silly. They read the book —1, 2, 3,—and they believe 1, 2, 3 that everyone is well off. But they don't understand that in this country many live poor and many live very rich — fine apartments, two cars. And there are more poor people every month. You have not been in the right places to see them. We do have very good pay for specialists, but some wages are as low as 60 to 70 rubles ($15-$17½) a month."

We told him that a milkman on a collective farm earned 1200 rubles ($300) a month, according to previous information we had received. "I don't believe it," he said.

One Man's Opinion of U. S. S. R.

Henry Shapiro, middle - aged United Press bureau manager in Moscow, has covered the Soviet Union for 23 years as a working newsman. Receiving us in his delightfully-appointed apartment, Mr. Shapiro answered our questions on "social conscience" in the U. S. S. R.

"Equality of races is a basic provision of Soviet law and party statute. It is adhered to more or less; execution of the law is still not letter-perfect. There is latent anti-semitism — based upon a strong Czarist heritage and the effect of Nazi propaganda in occupied wartime areas.

"However, Russians are less race-conscious than anyone in Europe. They intermarry freely, save between Jews and orthodox Russians. Recently, a long-suppressed letter by Lenin was published; it criticized Stalin for his 'erroneous nationalities policies.' Since Stalin's death a greater attempt is being made to erase bigotry.

"Dislikes or national animosities between peoples or republics—as between Georgians and Armenians and Ukrainians and Russians — are being combatted. Fomenting such trouble is considered and punishable as a serious criminal offense.

"Social conscience generally is in the hands of such agencies as the Ministry of Health and the Ministry of Social Welfare. Russia has no voluntary, mutual aid associations such as Blue Cross, though there are private organizations which support hunting and other sports.

"Individuals can purchase life and automobile insurance from the state in any amount they can afford, but social insurance is a state monopoly.

Family and Religion

"Children are considered assets of the state as in any community proud of its outstanding youngsters, but they are reared by their respective families. This does not mean, however, that parental influence is as strong as that exercised by Soviet schools and youth organizations. The child, for example, can be taught any phase of religion within his family, but teaching religion in schools is forbidden. The state, by definition, is opposed to religion, which it considers 'opium for the people.' But the state does not actively interfere with actual worship today. There were serious conflicts 15 to 20 years after the revolution, but they have been resolved. There are, for example, 50 churches in Moscow, a city of seven million people (including one Baptist church and one Catholic church).

"Membership in the Young Pioneers (roughly nine to 14) or the Komsomol (the communist youth league; 14 to 18, or older) is not officially mandatory, but socially it is almost universal. Practically all school children join the Pioneers. The Komsomol is more elite, with certain qualifications for membership. But every self-respecting youngster who is ambitious politically or economically tries to get in.

"The Soviet Union does have an incentive system for its workers—more pay for better or mentally-demanding labor: the engineer receives more than the mechanic; the steelworker more than the carpenter. Aside from monetary reward, the state offers medals, plaques, and other social stimulus."

The "Manchester Guardian" carried a story early this year stating that Soviet jails are still highly populated with dissident citizens. Is this true? "Since Stalin's death there has been a general relaxation. Labor camps are being depopulated, records of sentences re-examined, thousands released and rehabilitated—and given pensions as redress for miscarriages of justice. The trend is for strict enforcement of constitutional guarantees of civil freedoms, and against arbitrary enforcement of laws. The Ministry of Justice now supervises the militia (police), not the Ministry of Internal Affairs (MVD)—which has its own armed force. There are no secret trials or trials in camera; they are now open to the public, in both common and political cases. The police do not 'try,' as before."

Freud Is a Fraud

To whom can the Soviet "common man" turn when he needs mental solace? "To his friends, if he has any. Psychiatrists give free services, but there are no analysts. Freud is considered a fraudulent phoney. The church is of course limited purely to worship. Municipal judges go among the people in their wards, as do members of the Supreme Soviet (All-Union or republic). These latter men are available in their constituencies all year, between sessions, to counsel on legal problems, miscarriages of justice, and petitions of grievance. The Collegium of Lawyers (a sort of Soviet bar association) maintains free legal aid clinics in municipal districts.

"Willful absence from work, or tardiness, is still a serious offense, although it is no longer punishable — as it was until several months ago — under the criminal code. Now the slacker faces administrative fines and social disgrace unless he can establish an excuse by reason of serious illness or personal tragedy at home.

"A committee of the Supreme Soviet of the U. S. S. R. is reviewing the entire criminal code, and their recommendations may include abolishing the death penalty.

"The Soviet citizen can express opinions, in public forums or meetings, in letters to the editor, or in speeches. He may even criticize a Minister for maladministration, inefficiency, or corruption, but he cannot question the basic policy of the state. There is no equivalent of our various civil rights organizations, which assist individuals, in Russia.

"There is a Russian equivalent to PTA. In elementary and secondary schools, parents publish a magazine and attend teachers' meetings. Trade unions help schools a great deal, though most of the educational budgets are state-supported. Nothing like Kiwanis or Rotary exists: there are no private groups of individuals dedicated to civic betterment. Here there are 'clubs,' organized on a purely professional basis among artists, writers, newspapermen, doctors, for social reasons; these are distinct from the labor collectives which also represent various professions."

No Unemployment

Retirement? "The new pension law, passed several months ago, liberalizes pensions. Now, anyone who has worked 20 or 25 years receives a pension unless he was physically disabled earlier, and the disabled receive pensions automatically. All pensions are based upon a percentage of annual earnings, but no one can receive less than 50% of his earnings."

Unemployment compensation? "In Russia they insist that unemployment does not and should not exist, but in the case of 'maladjustments' — periods between jobs —workers are paid by their trade unions."

The birth rate? (Russia is under-populated. "Birth control is practiced and is not considered morally wrong. A new law has legalized abortions, although the state is anxious to increase the population. Abortion used to be a criminal offense. There is no concept of illegitimacy here; all children are considered to be children. There is neither legal nor social stigma involved in bearing children out of wedlock. All mothers receive equal care."

Trade unions and their role? "Everyone who works here is a member of some trade union — whether doctor or hand-laborer. Unions build rest homes for their members, cultural facilities, and apartment houses. They also collect workers' contributions to social insurance."

An Actor Speaks

Slava Lovok, 28, is a Russian motion picture actor. We interviewed him in Odessa, between "takes" for his newest picture—a saga of contraband running in Czarist Russia, circa 1905. Graduating from the Vaktangov academy in Moscow, Slava began movie work this year. He will appear in one more picture during 1956.

How did he begin studying drama? "Everyone in the U. S. S. R. has the right to enter any work he chooses. I had dreamed of the theatre. Before the war I graduated (as a pianist) from a musical conservatory, then —while in the army—I finished my 10-year schooling. After the peace I entered a Moscow theatre, working at various jobs. Finally, I studied acting at Vaktangov for four years. There were separate courses covering cinema playing —which I think is more difficult than the legitimate theatre.

"My diploma from Vaktangov gives me the right to act anywhere. During training I received a stipend of 320 rubles ($80) monthly from the state, but my tuition cost 400 rubles ($100) a year." (Several months ago this law was changed. Now all Soviet college students receive education at no cost).

Are the acting theories of Constantin Stanislavsky still gospel in the Soviet Union? "He is basic in our art, but there are now exceptions. We must keep up with the times." We described the operatic and legitimate acting we had seen in "Igor" and Gorky's "Foma Gardyeh" as being very broad; did Slava like this Victorian style of histrionics? "Oh yes. This is the most expressive form of acting. The theatre you saw (in Kiev) is one of the best in the U. S. S. R." Kiev directors told one of our party with great pride that they could create actual fire onstage, drive horses from the wings, and generate real smoke. This realism was considered high artistic achievement.

Did Slava know and approve the Hollywood "star" system? "Yes, I have studied it in your literature (old copies of 'Photoplay' magazine), but in Russia every actor has more freedom; is more equal. A star in one picture may play a secondary, even extra, role in his next film. There is no such term as 'star' here.

"I can take any acting job I prefer. If I like the script, I can play in the movie. I don't have to make any set number of films a year." Slava said that he signed a contract with his movie company for each film and was paid regardless of whether or not the picture was shot in the anticipated time period.

What is the favorite subject matter in Russian films? "Either historical drama or comedy. History of our country is very popular."

U. S. Movies

What U. S. movies have played in Russia recently? "Some of your films are shown only to movie studio workers, to study American techniques (Slava didn't name any examples). Others are shown publicly. Lately we have seen 'Seventh Heaven' and 'Sun Valley Serenade' with Glenn Miller, who is a great favorite here. Several months ago I saw 'The Fate of An American Soldier,' an older picture." From Slava's description of the latter film, starring James Cagney and filled with "big autos, gangsters, and machine-guns, in Chicago," we deduced that it might have been "G-Men," made in the mid-1930s and having little to do with American soldiers. We wonder what twist was given to the picture's soundtrack to jibe with its new title.

Slava has also seen Don Ameche, Alice Faye, and other similar-vintage favorites, recently. He said "one of our really favorite American actors is Charlie Chaplin."

Russian soundtrack is added to foreign films by using printed sub-titles, by dubbing Russian voices on top of the original soundtrack, or by having a Russian narrator deliver a single, blow-by-blow explanation of the running action. Movies from all satellite countries and from Austria, Italy, France, Sweden, England, and West Germany are also shown, according to Slava, but I failed to see a single foreign film advertised on any of the 60 or more cinema marquees I saw during my tour.

How much does Slava earn? "Between 150 and 500 rubles a day ($37½-$125), depending on the calibre of role I have."

Does Russia have wide-screen and color movies? "Many color films are made. We have two wide-screen theatres — in Moscow and Leningrad—but we have no theatres equipped for something like your Cinemascope."

Is there only one film company in the Soviet Union? "The basic board dealing with films, under the Ministry of Culture, is called Glavneo Pravlenee Kinifekatsi. There are many studios, in various large cities, under this board, making whatever pictures they wish. The board does not tell these companies what to make, it merely gives us the 'direction line' for making them."

Moscow's Department Store

Nikolai Ivanovich Strogoff, about 55, is commercial director of Moscow's GUM (Gosudarstveni Universalny Magazina), the U. S. S. R. largest single retail enterprise, which is owned and operated by the Russian Federated Republic under the Ministry of Trade. Built on Red Square 80 years ago by the Union of Merchants, GUM housed government offices throughout World War II; was fully reconditioned in 1945-1946. It is a complete department store, in the Gimbels-Macy tradition.

Since 1928, Strogoff has been engaged in commerce, scientific research, and as the director of smaller stores. He has written 37 books on retail trade, which have been translated into Hungarian, Czech, and Chinese.

GUM does an annual business of three billion rubles ($750 million), attracting customers from throughout the U. S. S. R. Daily, it serves 200,000 to 300,000 consumers, who spend between 10 and 12 million rubles ($2.5-$3 million), making 160,000 to 180,000 purchases. GUM's staff comprises 4,860 workers, with an additional 800 employed in a subsidiary foodstore.

A counter clerk receives 700-800 rubles monthly ($175-$200). A section head gets 1,100-1,200 ($275-$300). A department head (textiles, appliances, ready-to-wear, etc), 4,000 ($1,000). GUM economists, who plan the store's annual buying program, receive 900-1,000 rubles a month ($225-$250). Strogoff receives a 6,500-ruble monthly wage ($1,625), plus 4,000-5,000 rubles a month from his book royalties ($1,000-$1,250), plus a quarterly bonus (unspecified) when sales "fulfill the plan."

He considers himself neither a state official nor an elite professional, but "a servant of the people . . . satisfying their needs."

Goods Demanded

What goods are in greatest demand? "Refrigerators, pure wool overcoats, all-leather shoes." These items are also in shortest supply, throughout Russia.

Does GUM stage special sales to boost lagging sales volume? "No, but prices are watched and are cut by the Ministry of Trade whenever something does not sell well. When prices are cut they are reduced throughout the U. S. S. R. in all state-owned stores, and they are never increased again. Only last month gold watches, which had sold well a year ago, were reduced from 1,300 to 1,000 rubles ($250). Television sets were cut in price from 950 to 850 rubles ($212; this is a 5-inch screen). Camera prices were dropped, and the cost of aluminum wear went down by 15 to 20%."

Does GUM suffer seasonal sales slumps? "Yes. March and April are high. May, June, and July are very bad. From July through December volume mounts, then drops off in January and February. Some prices are cut in the bad months.

Strogoff uses purchasing agents, but dissimilarly from the U. S. He applies annually to the Ministry of Trade for those goods he wants to sell. Only a quota as to total ruble volume is imposed on him (this year the quota is between two and one-half to three billion rubles — $650-$750 million), but he is free to order and sell whatever he wishes. The Ministry then wites to factories to "see how much we can get." Then, a direct negotiation between GUM and various factories commences. Strogoff sends his representatives to Riga, Kiev, and Leningrad for actual buying.

What happens to that margin between GUM's cost and its sales price, that margin Americans call profit? "This is used for our expenses (which include taxes), bonuses, and salaries. Any final profit is returned to the state."

How Demand Is Forecast

If each state store is assigned a sales quota, how do they compete with each other for the purchaser's ruble if they cannot regulate prices? "By advertising. We stage exhibitions — as I did recently by staging dress balls in the Hermitage Gardens to show off some new silks. Our sales increased three and one-half times as a result."

Who forecasts how much should be produced to meet anticipated consumer demand? "A state planning department analyzes buying trends and correlates these with production capacity. Sometimes their predictions are not quite correct."

Public buying power? "The average Russian can buy what he wants. Ours is a store for the 'average' citizen, and we could not achieve our present sales volume if we catered only to highly-paid workers."

U. S. consumers have freedom of choice in buying — they seek bargains. Do Russians? "This is the basic difference between your retail system and ours. Prices can be cut only at the highest level, but we attempt to constantly cut the cost of all retail items—not simply to induce sales but to increase our living standard."

Collective Farm Boss

Ahfanasy Ilianovich Bobich, a communist of about 50, has been director since 1949 of a small collective farm 10 kilometers (6.2 miles) from Kiev, in the Ukraine. He began farming in 1936. Founded in 1931, this kholkoz was overrun by occupying German troops during the war; trenches were dug in its then-fallow soil, all houses were destroyed and farm buildings razed, and peasant workers were forced to labor

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Soviet Russia Interviewed

elsewhere for the Nazis. Re-built following the war, the farm now supports 475 workers, including 275 "able-bodied men and women"—the balance are children and elders.

Male farmers work 280 days a year. Single women and girls (15 or older) work 180 days. Women with children work 120 days. Base pay per "workday" for all workers, including Bobich, is the same. The difference in income depends upon the variation in workdays credited to each farmer; Bobich, for example, is credited automatically for 85 workdays monthly by being the farm's director. Additionally, he receives a 15-workday-credit for his 20 years' experience. If his farm's income exceeds one million rubles ($250 thousand), he receives an additional $100 monthly. Average field workers receive 500-600 rubles monthly ($125-150).

On his 2,300 acres, Bobich and his comrades devote 500 acres to wheat: "Wheat usually occupies one-fifth of the land area in small farms." His workers milk and breed 320 cows and 350 pigs. Only 1,500 acres of land are under active cultivation, the balance being planted in alfalfa or clover for cattle fodder. "We don't have much soil, so we have to cultivate to the maximum." Bobich said this answering our questions as to whether any area was left fallow to regenerate itself for a year or two.

He added that crop rotation is practiced. "We alternate plantings of oats, rye, wheat, and corn. Clover is seeded for two years, then wheat for two years, potatoes for one year, then spring grain for two."

Bobich has no erosion problem. His land is too flat. His major hazards are drought and insects—flies and worms.

Female workers seemed to outnumber males on this farm. The ratio among farmers who were macerating bad cabbage for fodder during our visit is typical: 8 women to 3 men. Female workers are from 35 to 50 years of age.

This collective is administered by a board elected during public meetings every two years, by a showing of hands among all the farmers present. It comprises a chairman, vice-chairman, and five kholkoz members — a college-graduated agronomist, the horse stable head, a brigadier (who heads one of the farm's four working "brigades"), and two average farmers (one man, one woman). This group sets crop policy, within five-year plan goals for the U. S. S. R. and the Ukraine. Two years ago it was told what to produce by the central government. Now it is relatively autonomous.

Share Retained

Bobich does not turn any produce in to the state, nor revenues. His crops can be sold to any state or city markets or shops. A special law exempts farms with 20% of their lands in vegetables from donating to the state. Is he producing a maximum amount of produce? "Now we obtain 560 tons of grain per year (80 quintals of wheat per hectare, 35 quintals of corn per hectare—I quintal equals 2,200 lbs.; 1 hectare equals 2.47 acres). Our cows give 2,860 quarts of milk per annum and, in 1955, we bred 192 pigs. We rank sixth highest in this district for output, among the 28 similar farms around Kiev."

Fertilizers and mechanical cultivation? "All but 25% of our work is done by machine. We have 200,000 rubles ($50,000) a year to spend on buying organic and chemical fertilizer from the state, and to hire service from the nearby tractor station." Unfortunately, we did not see any machines at work on Bobich's acreage, only hand labor.

Public Power Producer

Emelyan Nikitovich Gorodetsky, 50, is director of power station Number 2 in Leningrad. He, and his ten assistant engineers, conducted us through their rambling collection of buildings devoted to producing electricity and steam heat for 1,000 homes in Russia's second largest city. Uncomfortable in the presence of western curiosity (in spite of the fact that he had prohibited all photography within his plant), Gorodetsky professed ignorance at most of our salient questions.

However, he boasted that all his equipment was Russian (except for the English-made ammeters we saw). His three generators—25,000 kilowatts, 24,000 kw, and 12,000 kw — plus coke and coal-burning boilers for generating steam, are the result of a 175-million ruble U. S. S. R. investment ($44¾ million) in 1945 to rebuild the station; during the war all equipment had been removed from it and shipped to Siberia.

The station, it was carefully noted, differs in style, construction, and services from others in Leningrad and elsewhere. It was constructed in 1897 by a Belgian firm. "There is no pattern among these stations; they are each built based on the needs of the times and the nature of the area they serve."

Gorodetsky employs 350 workers, who are paid for base labor 750 - 1,050 rubles ($190 - $260) monthly. Engineers receive more. Many Chinese are undergoing on-the-job training in this plant, "under the terms of our treaty with China offering technical assistance."

The director was unfamiliar with our terms "interruptable" and "firm" power (as he was with Bonneville and TVA), answering that "we must fulfill the current plan, which contains a power dispatch quota for all industry."

The price of power is currently 40 kopecks (10 cents) per kilowatt hour per home. "We reduce this price as the price of coal is lowered." Station No. 2 utilizes no power from hydro-electric stations. In 1937 Gorodetsky's station produced 1 kilowatt hour for each 640 grams of coke or coal burned (1 gram equals .035 ounces); in 1955 it took only 383 grams to produce 1 kilowatt hour, and in 1956 the consumption has dropped to 368 grams. "For this reason, coal is one of our most important resources."

There is no clear-cut answer to the question of whether Russia uses more fossil-fuel-generated power or hydro-electric power. "It depends upon the region. The 20th party congress has laid great stress on building more dams, because water power is less expensive. As to peaceful use of atomic energy, I have no data."

Proud of Russian Justice

The municipal judge (3rd ward, Sovietski district) whom we interviewed in Moscow is about 45, a lawyer, and was elected for a two-year term. We did not get his name. His nomination and election were identical in procedure to the system described during our interview with Kiev's vice-mayor.

Soviet law is based upon the U. S. S. R.'s 1937 constitution. The criminal code of 1952 is to undergo revision soon. Already the Supreme Soviet has invoked more serious penalties for rape and robbery. All laws passed after the code was condensed will now be included in it.

Our interviewee — as in the case with all Soviet magistrates on the municipal level—is but one of three presiding judges in each court. The other two on the bench, called "peoples' assessors," are laymen, also elected in each ward. They too serve two years; 75 assessors are elected in each ward; each assessor serves 10 days per year in court. The majority rule applies in reaching verdicts and levying sentences (the triumverate does both): two laymen can outvote the trained attorney, although—our judge told us—"this seldom happens."

Though Russia is proud (if slightly skeptical) of her new freedom from arbitrary police action and her abolition of trial in camera, her judicial practices regarding freedom are completely at odds with our own. A person who is arrested is held completely incommunicado while "an investigation is being made; following which a bill of charges will be brought against the prisoner." During this investigation—which can last several days or several months—the accused to-be cannot seek counsel nor see relatives. When charges are compiled, they are brought to the prisoner for his signature—whether his signing implies guilt, we could not ascertain with certainty.

We asked, in perfect seriousness, if the writ of habeas corpus or its equivalent existed. For the first, and only time in the U. S. S. R., we caught our interpreter in an intentional error. She was, while reciting the question, *telling* the judge what habeas corpus *was*. He had no personal knowledge of the Latin terms, but — after her explanation — agreed nothing like it was extant in the Soviet Union.

A Soviet prisoner can be freed prior to his trial. He does not need to post bail. He simply must obtain a "petition" from his friends and neighbors attesting to his good character and that he will not evade parole. Knowing Russian attitude toward crime, the police, and general tangles with the law, we found it difficult to conceive how many "friends" would come to the aid of a prisoner awaiting trial on criminal charges.

Judge and Sociologist

Did the judge believe trial by jury (which doesn't exist in Russia) had any merits? "In your system the jury can only bring a verdict — after instruction from the judge—and the judge sets the penalty. Ours is a better system. We three judges decide cases not only on law but on socialist principles and a moral basis: we have more equality." Incidentally, the lay "assessors" do attend special courses during the year to learn "the juridical science."

The Russian magistrate is both legalist and sociologist. Each day, except Wednesday, he and the assessors receive the people of their ward, discussing marital, political, economic, and legal problems. Additionally, he visits workers' clubs and homes, reporting on his work and, on many occasions, settling neighborhood squabbles.

His docket, he told us, is not crowded. He allots a "norm" time duration to various cases; sometimes they exceed his allotment. His court hears four to five cases per day.

After filing a civil case (and there is a filing fee), five to 10 days elapse before its hearing: in criminal cases there is a 14-day waiting period before trial.

We asked what occasioned the tightening of Soviet divorce laws within the last two decades—in the 30s one person could divorce another by mailing a postcard to the authorities bearing his or her complaint. "Our law is dedicated to strengthening families: we place obstacles in the path of divorce." Other informants told us that the severity of these "obstacles" (grounds) was so great that may couples simply separated. In this classless state, incidentally, men and women contribute to *each other's* support following divorce.

In spite of Russia's legal prohibition of one person employing another, such is the case in hiring counsel. Lawyers' earnings are directly dependent upon the number of cases they get. As is normal, the loser in litigation is assessed court costs, plus the winner's counsel fees. Legal fees are based upon the litigant's salary and amount of injury in civil suits. Attorneys, are, in effect, in private practice. In criminal cases the lawyers's fees are paid by the defendant before the trial.

The judge added an interesting epilogue: rarely are two attorneys present in court; only in "serious cases." Normally only the plaintiff's attorney pleads a case.

Law Lecturer Does Not Answer

A 27-year-old barrister and teacher of law at Lvov university told me that "in America the law is not applied equally to all, it exists solely to defend interests of the rich. In our country everyone is equal before the law." Benjamin (he would not volunteer his last name) was vacationing at Black Sea resorts. We talked in my cabin on shipboard to Yalta.

He knew the Latin term habeas corpus. "I studied it in the university." But when we asked if it was practiced in the U. S. S. R., Benjamin bluntly said "I refuse to discuss it."

The various decentralization edicts from Moscow since last February "have no effect upon law," he told us.

Soviet lawyers attend law school from five to six years. They receive varying fees in practice; a criminal lawyer gets 200 to 300 rubles ($50-$75) for one case. The citizen who is without money receives a lawyer's services free; his counsel is court-appointed.

Highest legal body in the U. S. S. R. is the Supreme Court, elected by members of the Supreme Soviet. Next is the Supreme Court of each republic, similarly chosen; the regional court, and finally the peoples' courts in each city.

"All judges are representatives of the people. This is the socialist method. It is our strength."

Worker's Heaven on Earth

Henry Pinsky, about 50, presides over the gigantic marble and alabaster workers' Palace of Culture in Odessa. This city of 600,000 supports 12 such buildings, all owned by various trade unions —sailors, railway workers, streetcar men, and, in Pinsky's case, cooperatives. Akin to U. S. labor temples, the Palace's prime function is that of social meeting place.

It boasts several dance floors, a restaurant, 400-seat auditorium (in typical all-red decor), full gymnasium, library, tape-recording studio, and musical rehearsal rooms. More than 10 individual amateur theatrical and dance groups meet nightly, with 600 members. The library's 30,000 books include the full works of Lenin and Stalin (the latter, the librarian told me, "are not taken out much now") and novels by Ernest Hemingway and Howard Fast. "Our workers take out five books at a time," Pinsky said proudly.

Pinsky is paid 1,200 ($300) rubles monthly as chairman of the Palace board. His biggest job now, he said, is preparing his members' exhibits and performances for the 1957 Moscow Youth Festival; he demonstrated some wobbly tape-recordings of planned Festival singing and instrumental playing, which sounded like a grade-school symphony and choir.

Workers are awarded prizes by their unions (which take the place of U. S. management in this respect) for outstanding inventions or suggestions, which then become state property. Awards go as high as 100,000 ($25,000) rubles, and the Palace's "Red Foyer" is loaded with photos of lucky laborers and their inventions.

Only Russian Radio Is Truthful

Vladimir Shureebattyuff, 50, has been a Radio Moscow "commentator" for 25 years. We met him on shipboard to Sochi; he was interviewing 760 Ukrainian refugees from Poland ("who just came from where the hooligan trouble was in Poznan"). He, his technician, and their archaic tape-recorder are on constant roving assignment.

Vladimir told us that there were "many" independent radio stations throughout the U. S. S. R., in "all large cities. They can record what they want from Radio Moscow and broadcast it when they want. But they usually only accept from us important things like Khrushchev speeches.

"Half of all Russians have actual radio receivers at home and half have a loudspeaker which relays broadcasts. In the Ukraine alone there are five million radios; we broadcast on longwave, mediumwave, shortwave, and ultra-shortwave."

Vladimir said "If you are looking for the truth, we believe in the truth," adding, "you American broadcasters only *think* you tell the truth."

Robert Borisov, 26, is a student of chemical engineering in Leningrad, working specifically on the corrosion of metals. He speaks excellent English; has an able command of idiomatic expressions we used 10 years ago. Bob wanted American pocket books; in turn, he would answer our questions, but only on a public bench in the park adjacent to the former Summer Palace.

Student Interview

As a "special student," he is allowed to read the New York "Times" and New York "Herald-Tribune" in the Leningrad library. He's also read Hemingway's "Old Man and the Sea" and Miller's "Death of a Salesman," both in Russian. "Freedom Road," by Howard Fast (the U. S. communist), is the only current American book available in English, he said.

We asked how many students were choosing engineering as a college major after completing their 10 years of primary and secondary school (which are mandatory in large cities; only 7 years are required in small towns). Immediately, Bob answered "You are lagging behind in engineers, yes? Fully 50% of our students choose engineering. It is a fascinating career." Later, Bob's friend George (a student physicist) told us that he received a stipendium of 750 rubles ($187.50) monthly for studying physics — as contrasted with about 500 ($125) for the average liberal arts major. Otherwise, no pressure was put on Bob to enter science, "nor were any special inducements offered," he said.

Russian education is now completely co-educational. Between 1944 and 1954 men and women had been separated. Approximately 80% of all high school graduates go on to college. Illiteracy (reputed to be as high as 87% under the Czars) is "now non-existent, except in the first generation Russians who are 60 or older."

In rural districts—such as Siberia, where Bob lived from 1941 to 1944—the law requiring a child to begin school at 7 is enforced. "Every Russian child is registered and is reminded by letter when he should start school. They all know that they cannot drive a tractor unless they have a diploma. This is also the law."

Are there enough teachers? "Yes. The majority are women. They are offered a two - month paid vacation each year for going into teaching, whereas we engineers get only one month."

Russian is taught as a second language in all republics where a national language exists (as in Georgia) plus a third, foreign language. In primary school there are 20 to 45 students per classroom; secondary school, 20 to 30; college, 10 to 30. The seminar system is followed: four or five students in informal discussions with their professor. Attendance at lectures is "compulsory, but many still don't go."

The college year lasts from September to January, when winter "control" examinations are held. Then a three-week vacation and more school until July, when the second exams take place.

Russian language studies begin at 8 and continue until 15, from 2 to 4 hours per week. "We chemical engineers do not study literature and other similar liberal arts." Physical education is also mandatory, through the college level, from 2 to 4 hours a week. To obtain a stipendium "we must pass certain physical tests, like skiing from 5 to 10 kilometers."

No special teaching is afforded "the gifted child," nor is he advanced in school beyond his normal classmates. "He receives a gold or silver medal at graduation." Retarded children receive special state aid.

How many high school students are girls? "About 50%." How many college engineering students are women? "About 30%."

The U. S. S. R. has conscription. Students are deferred until graduation. Bob has yet to be called, with one year of college left. Can he select his branch of military service? "I don't think so."

How Artists Are Treated

Mikhail Illyareeonovich Artamonoff, nearly 60, is director of the world-famed Hermitage museum in Leningrad. He is also professor of archeology at the university of Leningrad. The state owns the Hermitage and appointed Artomonoff to his job. We asked the state's attitude toward young artists—are they trained, encouraged, subsidized, controlled?

"Art courses are a mandatory part of U. S. S. R. education. After the artist finishes school, he is independent. He can exhibit or sell where he wants to. Of course the state is the major purchaser of art — through the purchasing commission of the Ministry of Culture and the buyers who work for each (government - owned) museum. There are special schools for what we call industrial art: ceramics, calligraphy, etc.

"In each republic there are schools which capitalize on ethnical artistic heritage; in the Arctic area we teach the working of bone into various objects. In other, forest areas, we teach wood-carving."

Is the artist, whose output is essentially creative rather than utilitarian, considered in as high regard as the industrial worker? "We regard art as important. Some artists are in high regard, some are not." Who is Russia's top artist? "I dare not say . . . it depends upon your taste. One says this, the other says that."

Do museums show contemporary art and foreign art? "Yes, such as the Russian Museum here in Leningrad, and the Tredyokovsky in Moscow. We regret that American art is almost totally unrepresented."

Is there a basic line or modus operandi for Soviet art? "You have heard the expression socialist or social realism many times. It applies to all art." Is deviation from this line allowed? "The artist is free to deviate but he will not find much interest in his work." Is there abstractionism or surrealism in the U. S. S. R? "No. It is foreign to our sense of art. We don't accept it. Art must help the general trend of Soviet policy. Critics in the press reject art which it not real."

What does "social realism" circumscribe in art? "It is difficult to describe; much easier to show. Art is an active component in the building of our future society (he actually winked as he said this). In principle, we reject 'art for art.' Yes, we care about new tools in art and new methods—use of brushes, knives, types of material on which to paint—but we insist on responsibility for content. We do not give priority to form or content alone, but jointly.

"We insist that beautiful form in art must also consist of important social content. Nobody gives any directive as to our line, it is merely understood. Art must meet the need of our people; it must be accessible to and understandable by the people."

Insists There Is Religious Freedom

The venerable 75-year-old "batushka" (priest) in Sochi's only Russian orthodox church, received us before the altar and answered our questions via French-German-Russian translation. Anxiously he assured us that in his "18 years in the chuch I have never gone to jail. My church and services are free from interference." He stressed the clean division of church and state and asked if America operated similarly. He did not know why his 130-year-old church had been closed for 17 years prior to its re-opening in 1943; "I have only been here a year." Prior to 1955, he had served in Armavir "where there are 58,000 people and (reading our mind) two churches."

Sochi, whose population was estimated by its residents as being somewhere between 50,000 and 100,000, has a synagogue in addition to the batushka's church. Before the revolution it had one more church (for a, then, population of about 10,000).

The priest holds services nightly, from 6 to 6:30, with longer services on Friday nights and on Sunday. We noted about 10 persons (7 women) in attendance, all between 55 and 75. "The workers are busy on weeknights. On Sundays we have full attendance—about 120 people."

The batushka receives no state support. He lives on donations from his congregation of 120 and receives free dwelling space from the city of Sochi. He asked us, in farewell — dignified but pensively curious—"do young people in America go to church?"

Nikolai Touretsky, 29, teaches biology at Moscow's Institute of Radiology and Roentgenology. Between classes (which occupy three days each week), he conducts special research in the effect of radiation upon tissue; how much radiation is retained in the body after treatments for cancer.

"Physicists, chemists, and biologists are working together with atomic energy against cancer. We bombard or inject tumors with radioactive cobalt, iodine, phosphorous, and other isotopes and have had 40% success in curing or retarding the disease. We have also used radioactive gold in spinal cases."

Are atomic by-products available for research only in Moscow, and are they actually used in treatment? "Yes, all cities have them for laboratories, and hospitals are using them every day."

American and British scientific journals are used, in the original English, for teaching and research. Touretsky reads "Scientific American" avidly.

We asked if Lysenko was considered still to be a leader in biology and science generally? Touretsky's answer was brief: "I know Lysenko's work."

Hospital Director

The Bauman Hospital (No. 29) in Moscow is directed by 60-year-old Nikolai Neegoreevich, a white-haired doctor who keeps current copies of England's "Lancet" and the "AMA Journal" in his desk drawer.

His hospital comprises an "outdoor polyclinic for day patients and an emergency surgery, serving 1,000 daily, and an indoor, 600-bed hospital; there are 50,000 people in this area. We specialize in illnesses for grown-ups—there are many other polyclinics in Moscow handling pediatrics, psychiatry, skin-diseases, etc. Additionally, our staff of 800 conducts house calls and mans medical stations at various factories nearabout."

The director studied medicine for 10 years. An average Soviet doctor goes to school five years, interns under a specialist for another year, then is examined by a board from the Ministry of Health — comprising doctors and laymen — on "theoretical discipline." The director earns 3,000 ($750) rubles monthly, plus a pension, plus income from writing medical articles, plus a wage as head of the medical school also run by his hospital. What does the average doctor earn? "It is difficult to explain in figures; some parts of his income are not understandable to you."

There is no single, over-all organization for doctors. Specialists maintain individual societies: neurosurgeons, therapists, psychiatrists, and others. Bulletins are issued containing experimental and research data.

What kills more Russians than any other disease? "We fear hardening of the arteries, cancer, and heart disease." Many ulcer cases are brought here, but only for stomach surgery. We have about five or six heart patients a month. Polio? "Ours is an adult hospital, but I know of only one case of infantile paralysis this year in my district."

In his fight against cancer, the director oversees an individual physical examination for each of the 50,000 persons in his district once each year.

What new treatments does the U. S. S. R. have which Americans might not know about? "It is difficult to sum them up. I am not a specialist" (he answered at least 10 questions with this phrase). However, the director stated proudly that death from emergency appendectomys had decreased to 1 death per 1,400 operations. He also said that "we have much less infectious disease than in most capitalist countries."

Our final questions: Are a happier people a healthier people? "Only in cases where the nerve system is affected. Many diseases do not depend upon the mood of the people."

Modern Medicine

S. L. Tsyekher is a dermatologist in Dnepropetrovsk. His wife is a pediatrician. They talked with me in Yalta. Both studied medicine for 5 years. He has practiced 8 years, has 30 patients (male) per day. His wife sees 15 to 20 children daily—"all are not sick; many are in for simple checkups."

Patients can call on them at any time during working hours; six hours daily including Saturdays. Tsyekher is chief doctor in his city's polyclinic.

His wife said, "We have very few fatal children's diseases. Our most serious is called scarlatina. Though there were only a few cases of poliomyelitis in the U. S. S. R. last year, we are working on a vaccine."

Both doctors were quite familiar with penicillin, streptomycin, aureomycin, Chloromycetin, and "other, new antibiotics we have (un-named)."

Tsyekher agreed his major problem was cancer, which is "usually excised when it is internal, and bombarded radioactively when superficial. "Professor Bobrov has experimented with cigarettes and their possible cancerous effects. He does not believe lung cancer results, but rather lip cancer, and some element other than nicotine is responsible.

"We use titanium medically, and maintain 'banks' of blood, bones, corneas, arteries, and other organs for transplanting."

How large is the average Soviet hospital? "Between 150 and 250 beds." Staffs? "About 70 doctors and 150 nurses." Midwives are used extensively, but "all children are born in polyclinics now, not at home." There is a student nurse system.

Russia has a venereal disease problem again. "Before the war there was none, then in 1945 we had it again. We use streptomycin to combat the various types."

Standard anesthesia are used—gas, ether, pentothol, and "others." After surgery, in some cases, patients rise immediately, others are ambulatory within 24 to 28 hours. Patients usually are released after seven days at most.

What didn't he like about U. S. medicine? "We simply don't know enough about it. We don't know your system of curing."

What a School Teacher Studies

Typical of intellectuals her age is 19-year-old Nadya, whom we interviewed in a Young Pioneer camp near Yalta. A student at the nearby Simferopol University, she is serving as a camp counselor to the hundreds of 9-to-14-year-olds who have come to the Crimea from throughout the U. S. S. R. to "relax" (they only work two hours a day in the local vineyards during their 28-day "vacation").

Nadya has been a Young Pioneer and is now a member of Komsomol. She will join the communist party when she is old enough (about 28). Nadya has selected teaching as a career. She will graduate, at 22, in 3 years. As a beginning teacher she'll receive 600 ($150) rubles monthly (compared with more than 700 ($175) for an engineering student). Thereafter, at 4- to 5-year intervals, her pay will increase.

Her college courses cover—as a sample—basic mathematics, history, Leninism, Marxism. During her three-year college studies, how much communism does she study? "In our first year we study Marx and Lenin; the history of the party. Then we study political economy. In our final year we study dialectic materialism; the written works of Stalin and Lenin. Then we take examinations on communism.

"We do not begin to study communism seriously until college. In the first 10 years we only study the party's history a little." Do they study U. S. capitalism in college? "Oh yes."

Komsomol members study communism assiduously, but Young Pioneers "only a little."

Is party membership required of teachers? "No. But it helps a great deal because we have the definite aim in our work to bring up the children as future fighters for peace, for democracy, and for communism in our country."

Are you taught world revolution? "Oh yes. All countries should be communist, and they will be. We have much time to do it." How long will it take to dominate the world? "We must show the world that our system is better than yours. And it is better." Did Nadya know about the Cominform, Comintern, or Internationals? "No, What are they?" She knew Khrushchev's speech of last February. "Stalin was bad, but I didn't know he was bad when he was alive. Khrushchev is not a one-man ruler. He is just a member of the central committee. A high member."

When the Young Pioneers are not vacationing during the summer, they congregate during the school year at "Palaces" (which look just that) in various major cities. We visited their Palace overlooking the Black Sea in Odessa, and saw a small theatre, an ill-kept ballet rehearsal hall, a magnificently-appointed political indoctrination room, an excellent set of full-scale jet plane models, miniature oil tankers, model railroads, and radio devices. One room housed an "exploded" painting of the power grid system in Western Russia, a dam, and a hydro-electric turbine—all of which could be operated in miniature through model controls on a panel board.

Our Latvian guide, Lia Alterman — about 30, separated, with one child — described with pride the "Red Room," with its history and theses of communism on wall plaques, its portraits of Mao Tse-tung and other satellite party leaders, its gold-gilt exhortations from Lenin's works. With equal pride Lia displayed the pipe-wrenches, carpentry, and other advanced mechanical projects accomplished by youngsters under her tutelage. It was apparent that Young Pioneers have as much fun as a barrel of nuclear physicists.

Newspaper Editor Cites O'Henry

Irakley Iosofovich Chkhikvishvili is editor of the communist party newspaper "Dawn Of The East" in Tbilisi, capital of Georgia. About 45, he is a former professor of philosophy, with no previous background in journalism except for 'the many letters to the editor which I wrote while a teacher, at which I had much practice." A graduate of Tbilisi state university, he also attended "party school in Moscow" and in 1947 received the honorary degree of candidate of science. He has been editor of his paper for three years. "I was appointed by the party to this work. Of course, I had the option to refuse but I did not."

The editor's paper is one of 11 in Tbilisi. It appears every morning, has a circulation of 102,000, is printed in Russian. Other Tbilisi papers are in Georgian, Armenian, Azerbaijanian, Ossetian. There are many other, smaller papers in the outlying regions of Georgia. His staff numbers 90, of whom "30% are professionals; the balance are representatives of the people — workers, peasants, etc.—who write our material. A special network of 20 correspondents — workers and peasants — feeds copy from the surrounding area by telephone, wire, and mail."

"Dawn Of The East" has 11 sections—devoted to culture, agriculture, foreign news, internal news, "information," sports, letters from readers, etc. About the last category, we asked if the editor received letters disagreeing with or complaining about governmental policy. "No. Although they disagree with schools, industry, and some officials." We asked, half-hypothetically, *if* the editor ever did get such a letter, would he print it? "As a party member I could not print anything like this, which would be aimed at destroying the Soviet system." We asked *why* such letters were never written. He told us again that "I could not agree with them." Do other papers receive them? "They are in a position to."

Are all papers party organs? "No. There are newspaper issued by various ministries, the army, trade unions, collectives, and cooperatives." Are there truly independent papers, not published by any organization, free to criticize the state? "No."

Was it possible, in 1952, to have printed a letter criticizing the "cult of the individual?" "No. It was quite impossible because of conditions which would have caused persecution."

Then, commenting upon de-Stalinization, the editor added: "You American journalists remind me of an O. Henry short story in which a wife told her husband during winter that she wanted peaches. The husband shopped around dutifully, but could find

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Russia Interviewed

nothing but oranges. When he finally discovered a peach and brought it home his wife wanted oranges.

"You criticized Stalin when he was alive and now you criticize us because we criticize him." We assured the editor that such was not the case personally.

His news concerning America comes from the Central Telegraph Agency (TASS) in Moscow. "However, we write many pieces on current American politics and your economy on our own." Who writes them? "We have scholars at local universities who study America. They write."

Concerning the Tbilisi riots in March. "I want to clean away all doubts. It is our tradition to honor the dead. The government directed us to observe birthdays but not the death date of Stalin. Students gathered before his monument on March 5 to place flowers. There were speeches, 'manifestations,' and a 'demonstration.' Special meetings were held to observe the death in all factories and offices. Our paper printed the 20th party congress speech and also the Georgian point of view.

"The resulting disorders were of a hooligan character."

Form Sprayregen Co.

On January 1st Sprayregen & Co. members of the New York Stock Exchange, will be formed with offices at 26 Broadway, New York City. Partners will be Morris Sprayregen, Irving H. Mendelson and Richard H. Sprayregen, members of the New York Stock Exchange, Elihu N. Kleinbaum, Jules G. Haft, Ben Gaynes, and Ben Gaynes, Jr., general partners, and Jacob Hiatt, limited partner.

Morris Sprayregen and Irving H. Mendelson are partners in Eisele & King, Libaire, Stout & Co.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Roy F. Delaney will retire from partnership in Smith, Hague, Noble & Co. December 31st.

Stanley E. Symons will retire from partnership in Sutro & Co. December 31st.

Gabe Chance Joins Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Gabe H. Chance has become associated with Walston & Co., Inc., 1115 Van Ness Avenue. He was formerly vice president of First California Company Incorporated in charge of their local office and in the past conducted his own investment business in Fresno.

Koerner Co. Admits

Joseph S. Lederer, member of the New York Stock Exchange, will be admitted to partnership in Koerner & Co., 120 Broadway, New York City, member of the New York Stock Exchange, on January 1st.

James F. Byrne, Jr., member of the Exchange will withdraw from the firm December 31st.

Form Solomon, Ratchick

On January 1st the New York Stock Exchange firm of J. L. Solomon & Ratchick will be formed with offices at 120 Broadway, New York City. Partners will be Jack L. Solomon, member of the Exchange, Selig Ratchick and Irving Swift.

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Mutual Questions Concerning Investment Banking and SEC

Finally, ultimately we hope to be able to bring as many of these cases as possible to the attention of the Department of Justice for appropriate criminal prosecution.

A long time necessarily elapses in the gathering of evidence which can be used in court. It takes a great deal of effort on our part. We believe that the work is successfully going forward and we are hopeful that this curse on the fringe of the capital markets can be eliminated as quickly as possible.

I would like to say another word or two about the importance of you gentlemen of the investment banking business. I think one of the things that has been most advantageous during the past year in the direction of the Investment Bankers Association of America has been its so-called "accent on youth." I am sure those of you who were in Hollywood or who read the reprint of the talk which the retiring IBA President, George Davis, gave down there, I am sure you will appreciate the importance of the observations he made about the training of the young men in the business, and I would take it that those observations would strike very hard in your minds the importance of developing in your own mind so that you can develop it in your customer's mind, of an investment point of view.

Investment Point of View

I am not talking against speculation, but I am talking about the development of a point of view that recognizes the difference between investment and speculation and which is able to differentiate between sound investment carefully made and investment which is done on the basis of inadequate information, inadequate consideration and lack of care. Unless your customers, the people that come to you to invest money which is theirs in their own right and money which they hold by reason of their fiduciary relationship with great financial institutions, unless they develop in their minds a confidence in the work that you are doing for them, how are they going to come back and come back to you? And if they do not come back and come back to you in the years that lie ahead of you as the younger group in this industry, how are you going to fulfill the important responsibility that you have to develop the capital that is needed to finance the tremendously expanding American industrial system?

You have a very great opportunity in this business to be of real service in the growth of the country. You also have a correlative responsibility.

I would like to conclude my formal observations by saying that I think it is extremely important for you to realize, as I have indicated before, that the SEC is in business to aid and assist in the financing process. We solicit your support and your interest in helping us increase the effectiveness of our law enforcement work. When you learn of the type of conditions in which I have spent a few minutes this evening, when you hear of things that are going on in the markets that involve fraud, manipulation, unfair advantage being taken by insiders against the public, when you hear of violations of the Securities Laws, unless you support the Federal regulatory agency by letting us have an opportunity to get into those situations, you, in my opinion, are shirking to an extent the responsibility that you have to your industry and the public. We solicit all the help that we can get from the investment bankers, from all the responsible elements of the industry and we are confident that we will be successful in the law enforcement program in which we are now engaged.

* * *

Questions and Answers

At the conclusion of the talk, Commissioner Armstrong answered questions from members of the audience. A transcript of the questions and the Commissioner's answers follow:

QUESTION: I would like to know, in the last two or three years there has been an awful lot of talk about insiders, an awful lot of stock ventures going on whereby insiders supposedly are people that have been able to buy stocks in corporations in large blocs, either foreign or domestic, whereby they have been able to buy controlling blocs or threatening proxies by buying stocks and not disclosing the full facts as to who the buyers of the group of stocks are.

I would like to know what the SEC is doing to stop this where full disclosure has not been effected?

MR. ARMSTRONG: That's a very complex question. I will try to divide it up and answer it as best I can.

Insider's Identity

In the first place, you talk about buying up blocs of stock and not disclosing the identity of the buyer. We will have to talk a little bit about our jurisdiction. Under the Securities Exchange Act, a person who is the owner, beneficial owner, of 10% of the outstanding securities of a company whose securities are listed and traded on the national securities exchanges is required to file ownership reports with the Securities and Exchange Commission, and we publish a monthly bulletin of changes in ownership based upon those reports.

Incidentally, it is the most heavily subscribed to of any of our publications. It is very closely followed by investors and others all over the country.

Now, what do we do if a person becomes the beneficial owner of 10% or more and doesn't tell us about it? Well, in the first place, there is no way in the world that we can just pull out of thin air information of that kind. Somebody has got to help us to find out that there is such a situation going on. But if we suspect the existence of such a situation, we have power under the Act to institute what is called an investigation, a formal investigation, which is conducted in private. We have subpoena powers, and we bring the person involved down and put him on the record and make him disclose to us what it is that he has done, and if he has violated the law, why then, we take appropriate steps.

Proxy 10% Rule

So far as aggregations of stock for proxy purposes, I would have to explain to you that the law applies only to individuals who own 10%; in other words, if you own 9% and I own 9%, there is nothing that says that both of us have to disclose our aggregate of 18%.

Many of these contests for control have involved the hiding behind that factor in the statute that makes it a disclosure requirement only where a total of 10% is involved.

I will have to go one step further. Under Section 14, the Commission has its so-called proxy rules, which apply to a person soliciting a proxy for a listed company. If you are going to solicit proxies, be you a management or insurgent group, you have got to make the disclosures that are required under our proxy rules, and we require any person who is soliciting a proxy or any person who is an associate of a person soliciting proxies, or any person who is a nominee for a director, to make certain disclosures, and I think I can assure you in categorical terms that in every contest which has been subject to our jurisdiction, there has been complete and full disclosure of the holdings of the persons who have been soliciting proxies, associated with those soliciting proxies and have been nominees for director, because in each one of those cases—again using our investigative power—we have gotten them down and put them on the record.

Now, once or twice we have been blocked off on information which was not available and couldn't be obtained, because there was in the chain of ownership an escape hatch through a foreign corporation. That has been the only leak in the sieve so far as proxy contests in listed companies are concerned.

Variable Annuities and Securities

QUESTION: Would you care to comment upon your current position as to variable annuities?

MR. ARMSTRONG: Sure. Variable annuities are a comparatively new investment animal, and the first comment I would make is that it is impossible to be categorical in any general sense, because there are so many different types and kinds of contracts that are under consideration in the business.

Specifically, the only jurisdiction which the Securities and Exchange Commission has is with respect to the registration requirements for a new issue being sold to the public in interstate commerce under the Securities Act or the registration requirements for an investment company under the Investment Company Act. In one of the two presently existing cases that have come to our notice in which contracts have actually been sold, which contracts appeared to us to have the characteristics of a security, as that term is defined in the Securities Act and the Investment Company Act, we have brought an action in the Federal District Court in order to enjoin the sale of those contracts without registration and to require the registration of the corporation issuing the contracts under the Investment Company Act. That litigation is now pending.

I think I might go further than that again in a broader way. It would seem that there is in the variable annuity problem something new, something new as a problem in the regulatory relationships between the Federal Government and the states. Traditionally, the Federal Government has left to the states the regulation of the insurance industry. The Federal Government left to the states for many, many years the regulation of the securities business, but in the years 1933 through 1940 enacted a series of laws which provided Federal regulation and also left state regulation intact; in other words, the Federal Government did not preempt the field.

So you have the dual system of Federal and state regulations with which you are familiar. I think it should be remembered that when under security acts which were enacted by the Congress not in contemplation of an investment medium, such as the variable annuity, when under those securities acts an effort is made—and indeed must be made—by the regulatory agency to determine judicially, or have the courts determine judicially whether the acts should apply, that the ultimate resolution of the problem must be made in the Congress, and however the SEC comes out in its case that I described to you, it seems to me perfectly clear — however the courts decide—that this is a problem which must ultimately be taken up by the appropriate committees of the Congress.

Alleghany Case

QUESTION: Sir, there were some very uncomplimentary remarks made in last night's "World-Telegram" in regard to the Securities and Exchange Commission and their relations in the Alleghany case, and I am sure no one here tonight believes those things, but nevertheless, I think it would be reassuring to hear from the chairman that such motives did not enter into the picture, and the fact remains that there are many stockholders who are unable to liquidate their position or take any action on the subject.

I wonder whether you could comment?

MR. ARMSTRONG: I don't know what was said in the "World-Telegram." If the persons affected are not satisfied with the decision which the Commission made on the case of the preferred stock exchange, there is an appeal provided by the Act to the Federal courts, and it would be most improper for a member of the agency who signed the opinion in a quasi-judicial capacity to answer your question.

Short Form Prospectus

QUESTION: What do you think are going to be the practical results and what do you hope to accomplish by this new short form prospectus?

MR. ARMSTRONG: You are speaking of the summary prospectus? That is something that I would really like to know about.

I think the ultimate answer depends on the gentlemen right here in this room, because it seems to me, the amendments of 1954, which, as I mentioned, were sponsored jointly by the Securities and Exchange Commission and the industry, with respect to which Mr. Bryce testified, those amendments made the necessary changes in the Act which gave the Commission flexibility to permit a summary prospectus to be used. Also, those amendments permitted an offer of a security to be made lawfully during the time after filing of the registration statement but before it becomes effective.

I think those were two of the most important contributions of the Congress in this field that have been made since the very beginning. We have taken a considerable amount of time in putting in a summary practice rule. We wanted to go slowly on it, partly because of some of the market conditions that were not particularly favorable, of the kind that I was referring to a few minutes ago.

We believe that the presentation of material in condensed and summary form is going to require your ingenuity and ability, presentation of material in summary form, so that it is adequate for the initial approach to the investor.

Let us not kid ourselves. It's been indicated many, many times that the ultimate investor doesn't read the full statutory prospectus. It's read, of course, by many people who have an influence over the investment decision, but the average individual investor simply can't do it, but will, we hope, if the summary prospectus works out as it was intended, read the summary prospectus.

We think you have a wonderful

opportunity to enhance the marketability and merchantability of new issues of securities that are registered with the Commission; on the other hand, we think that you have a great responsibility not to treat the summary prospectus as something which you can use in a quick and easy way to lure people into securities by not giving them a sufficient story about them. It's going to be a very interesting development, and I certainly hope it succeeds. It was one of the things that I was most interested in and still am when I came to the Commission.

I might say that the contribution the IBA has made on that subject over the past year has been very great.

SEC Regulation of Municipal Field

QUESTION: Why has the SEC been reluctant to impose the same degree of regulation on the municipal field as it has on the corporate?

MR. ARMSTRONG: Well, the only jurisdiction which the Congress gives us in the municipal field is in case of fraud. Our powers derive only from the statutes. Municipals, you know, are specifically exempt except where fraud exists.

QUESTION: I would like to apologize for this question. I did not hear the question that was posed to you before, but using your own words, Mr. Armstrong, of this evening, the purpose of the Securities and Exchange Commission is to give the investor a fair position in the market and an opportunity to make up his own mind. How do you intend to protect the investor of Alleghany preferred stock whose liquidity has been frozen by the Commission? I am sorry I was not able to hear your answer to the question before

MR. ARMSTRONG: I am not going to answer a question about Alleghany. I told you it would be most improper for me to do so.

Pension Funds' Survey

QUESTION: A year ago there was a story in The New York "Times" which indicated that the SEC had made a complete survey of the operations of pensions in this country. I understand that this report has subsequently gone to the Fulbright Commission. Will that ever be released and will there be any supplements to it?

MR. ARMSTRONG: Yes, that is a question which concerns the study which the staff of the Commission was making of pension funds, and that study was made at the request of the Chairman of the Senate Banking Committee. It has been completed and sent to Senator Fulbright. I feel perfectly confident it will be released. It's just a matter that is between the Congressional committees and our agency, which in a sense is an arm of the Congress. It's the committee's responsibility to make that sort of document public, which we wouldn't want to encroach on. I am sure it will be public and very promptly as soon as Congress begins. It's a very interesting study, incidentally.

However, the Commission, last year, instituted an annual survey of corporate pension funds. The results of the initial survey were made public in the Commission's Statistical Series Release No. 1335, dated Oct. 12, 1955, and in a more detailed report entitled "Survey of Corporate Pension Funds, 1951-1954," recently published and on sale by the Superintendent of Documents, Government Printing Office.

The staff of the Securities and Exchange Commission presently is engaged in its second survey of corporate pension funds, extending the coverage of the initial report through the year 1955.

The initial report was furnished the Senate Committee on Banking and Currency for its study of the stock market and some of the data prepared for this Committee, regarding institutional purchases of stock in recent years, was published in the Committee Staff Report of April 30, 1955, entitled "Factors Affecting the Stock Market."

Acceleration Policy

QUESTION: Mr. Armstrong, do you believe that the SEC has the power in a registered issue of securities where there is no evidence of fraud or misrepresentation to pass judgment on the merits, the investment merits of the case by denying a request for acceleration?

MR. ARMSTRONG: No, of course not.

QUESTION: Well, there has been some policy advocated or set forth by the Commission recently relating to that very thing.

MR. ARMSTRONG: Yes, and I think it's very important to realize in connection with the consideration the Commission is giving to its policy in regard to acceleration that we have as a basic statutory philosophy not passing on the merits of securities. It is absolutely fundamental in terms of our jurisdiction. We are not intended to do it by the Congress and we don't do it.

As far as the statement of acceleration policy is concerned, that is a subject which we have received many comments on from the industry and the bar.

I would like to explain one other thing in discussing this, if you will bear with me. The Administrative Procedure Act provides that whenever an agency is considering making rules, establishing policies, under the acts which it administers, the proposals which the agency is considering shall be promulgated to the public so that the public can participate in the rule-making process.

We put out for comment many rules each year. Most of those, as we put them out, contain proposals which we believe we would benefit by having public comment on. We are much better off if we put out a proposal and let the industry, the public generally, comment on it than if we were to adopt it and then have everybody complain about it afterwards.

The proposal that we put out for public comment on the acceleration specified all of the practices which have been administrative practices of the agency for many years but which have never been publicly stated, and it has been our policy for the past three years in running the agency to let the public know what our policies were, and very often you find as you bring these policies up and put them into the glare of the public eye, into the light that comes from making them public, very often you find that you had an administrative policy that has existed in the agency which isn't a sound policy under the statute.

I am not going to say to you right now which of the various proposals we put out for comment we are going to adopt and which we are not going to adopt. There are some of them that we put out for comment that have been in effect in the agency for a long time that we are not going to adopt in this area of acceleration.

Fraud Aspect

Your question excluded fraud. We did state in this new proposal the fraud aspect, which has never been stated before, because in cases in which we have been making fraud investigations contemporaneously with the examination in the registration statement, we have for the first time in the last year had an administrative policy which developed case by case and which we felt was very necessary for the protection of the public that we would not permit a registration statement to become effective until our investigation had been completed.

Incidentally, in several of those cases the registration statements have been withdrawn; no securities have been sold to the public.

Ling Electronics Securities Offered By Perkins & Co., Inc.

Lee Electronics, Inc., Los Angeles, Calif., on Dec. 11 offered to its stockholders of record Dec. 7 the right to subscribe on or before Dec. 27 for 183,333 shares of additional common stock (par 50 cents) at $3 per share on the basis of one new share for each six shares held (with an oversubscription privilege). This offering is underwritten by Perkins & Co., Inc., Dallas, Texas. Concurrently, a public offering is made by Perkins & Co., Inc., and Leo G. MacLaughlin Securities Co. and associates of $750,000 6% convertible debentures due Dec. 1, 1966, at 100% and accrued interest.

The net proceeds from the sale of the debentures and common stock are to be used as follows: $85,340 to retire outstanding bank debt; $700,000 for working capital to pay for labor, material and supplies in processing its backlog of orders; $125,000 for the development of designs and manufacturing facilities in order that the company can manufacture its own shakers; and $50,000 for general research and development. The balance of approximately $184,000 will be added to treasury funds and will be available for general corporate purposes, working capital and sales promotion.

The debentures are initially convertible into common stock at $3.75 per share (up to and including Nov. 30, 1958); $4.25 thereafter to and including Nov. 30, 1959; $5 thereafter to and including Nov. 30, 1960; and $6 thereafter to and including Nov. 30, 1966. The debentures may be redeemed at 105% and accrued interest.

Ling Electronics, Inc. is engaged in the development, manufacture and sale of electronic equipment consisting primarily of complex electronically driven vibration testing systems, and the component parts thereof, used in the research development and manufacture of aircraft, aircraft parts, guided missiles, and various type of rockets. The company is also engaged in performing a research and development contract for the U. S. Navy pursuant to which it is doing electronic research of a nature which is classified under United States security regulations. The company was incorporated in California as L. M. Electronics, Inc., its name being changed to Ling Electronics, Inc., on May 11, 1956, following the acquisition of all of its outstanding stock by Ling Electric, Inc. of Dallas, Texas. Its plant and executive offices are located at 5120 West Jefferson Boulevard, Los Angeles, Calif.

Giving effect to the new financing, there will be outstanding $750,000 of debentures and 724,133 shares of common stock.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government bond market continues to be on the defensive, with the more distant maturities at all-time new lows or very close to it. The new money raising operation of the Treasury was a successful venture as far as the Government was concerned, because the average rate (2.585%) which was obtained on the 95-day tax anticipation bills was somewhat better than had been anticipated in most quarters. Short-term rates are very attractive at this time and this means that funds which would ordinarily be used in other investments are being temporarily put to work in the shortest Government obligation.

The approach of the year-end is bringing with it a step-up in switches in Government securities, and there are indications that certain of the intermediate-term issues are finding considerable favor with those that have been taking tax losses. It is reported that the 2¾s and the 2½s of 1961, are the ones which have been attracting attention in these exchanges.

New Bill Issue Attractive

The Treasury was able to sell $1 billion of 95-day tax anticipation bills for new money purposes at a very favorable average rate of 2.585%, because payment of this issue was again made through the Tax and Loan Accounts of the commercial banks. It had been expected that the Government would not get quite as good a rate as was obtained in the November offering of these same kind of bills, when the average rate was 2.617%.

However, the demand for the latest offering of tax anticipation bills was sufficient to bring a somewhat better average yield than the November new money flotation. This money, according to reports, will be used in part to help defray some of the expenses that will be incurred in aiding the international monetary position of the British.

The 95-day tax anticipation bills, like the previous ones, were sold out immediately in fairly large amounts by those that bought them (mainly for the deposit which they created), and as a result they went to much higher yields. Nonetheless, the yield is still under that available in the regular weekly Treasury bills, because the new money bills have tax advantages which account for the difference in return between these securities.

Forces Governing Level of Discount Rate

The bill rate is still above the discount rate and as a rule when the rate for the shortest Government obligation is continuously above the Central Bank rate, the discount rate is raised. The existing differential between these two rates would seem to indicate that an upping of the discount rate would be in order. However, conditions at the present time are not as near normal as they might be because of the confused international picture. It had been reported previously that unsettled world conditions was the main reason why the Central Bank rate was not increased some time ago. As far as the domestic picture is concerned, there does not appear to be any lessening of the inflationary pressures so far.

Accordingly, it would seem as though conditions at home would indicate another increase in the Central Bank rate. However, this is the time of the year when domestic forces in the economy have to be watched closely in order to get clues as to the future trend of affairs. The course of loans will be very important, because if there should be a seasonal decline in borrowings the pressure will be off the money market, and an increase in the discount rate would not be expected. On the other hand, if there is no let-up in the loan demand, and the international situation does not deteriorate further, it is quite likely that the Central Bank rate will be pushed up, probably to 3¼%.

Chairman Martin's Testimony

The testimony of Chairman Martin of the Federal Reserve Board before the Patman Committee indicates that the tight money conditions will be continued as long as the forces of inflation are in the ascendancy. However, he did indicate that any slowing down of these pressures would bring about a reversal in monetary policies.

Market Briefs

The corporate and municipal markets have been on the firm side, with recent new offerings being rather well received. In spite of the better tone which has been in evidence in non-Government obligations, and the new lows in the Treasuries, the yield on the non-Government securities is still much more favorable than those which are obtainable in Treasury issues. As a result, the pressure is still on Government securities since switches are being made out of Treasury bonds into the higher yielding corporate and tax-exempt obligations.

Considerable year-end tax exchanges are being made within the Government list itself, with no definite trend yet discernible in these switches. There are reports, however, that a fair amount of public pension funding buying has helped to cushion somewhat the decline in the Treasury 3s and 3¼s.

MERRY CHRISTMAS!

Joins Oppenheimer Co.

(Special to THE FINANCIAL CHRONICLE)

KEY WEST, Fla. — Charles M. Fonck is now with Oppenheimer & Co., 613½ Duval Street.

Joseph V. McManus

Joseph V. McManus, partner in McManus & Walker, members of the New York Stock Exchange, passed away December 13th at the age of 49. Mr. McManus formed his own firm Joseph V. McManus & Co., Inc. in 1929.

With Deringer Stautz

(Special to THE FINANCIAL CHRONICLE)

CLEARWATER, Fla. — Robert C. Brumbaugh and Augustus Conlin have become affiliated with Deringer & Stautz, Inc., 1442 Gulf-to-Bay Boulevard.

With Safeway Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — Richard B. Flook has become affiliated with Safeway Investments Co., 64 North Court Street.

Sutro Bros. Adds

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla. — Joseph S. Klehman has become connected with Sutro Bros. & Co., 316 South County Road.

Edenfield Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—John B. Guerard and John G. Hudson have been added to the staff of Frank L. Edenfield & Co., 8340 Northeast Second Avenue.

Railroad Securities

By GERALD D. McKEEVER

Chicago & North Western Railway

The situation of the Chicago & North Western is so fluid that there is considerable hesitation over presenting a discussion of it. What appears to be the case today may be entirely different a month or two hence. The time has come, however, for something to be said for at least two reasons. First are the growing number of inquiries, either from holders who are deeply concerned, with the prices of the road's bonds and stocks at or close to the lowest levels of the year, or from "bargain hunters" who are thereby intrigued. Secondly, significant changes in the situation are in the making or are pending.

To give credit where it is due, the possibility of a turn for the better, which now seems to be the case, was sensed by one of the leading statistical and advisory services some four months ago when it commented to the effect that the worst may have been seen in July when the seventh monthly deficit for the current year was reported. Due to a sizable seasonal factor, the early months of the year are ordinarily unprofitable for the North Western, but in 1955 it "went into the black" beginning with June.

The road's poor showing in the first seven months of this year is summed up as having been due to a decline in revenues in the face of mounting expenses. While the latter is to be ascribed in no small part to the generally higher level of wages and other costs, it was also due to a great extent to the road's accelerated maintenance program to catch up with accumulated deficiencies. The rate of maintenance was cut sharply beginning with August, however, and this was the first profitable month of this year as far as income is concerned. The rate of maintenance has since been held at a reduced level, having been at the average rate of just under 29% for the August-October period and 27% for the month of October as against 38.3% of gross revenues for the first seven months of this year.

The sharp gain in October net to the equivalent of $2.35 per common share as against $1.25 for the 1955 month, and 58 cents and 55 cents respectively for August and September of the current year was only partly due to the reduction in maintenance, however. What may be of far greater significance is that the road's Transportation Ratio was reduced to 41.1% of gross in October of the current year as against 42.9% for October, 1955, which was before most of the 1955 wage increases became effective. This is a particularly arresting development because an excessively high Transportation Ratio has been one of the big bugaboos of the North Western situation.

The Transportation Ratio of any road is one that can not be juggled to meet conditions. It is that part of the revenue dollar which goes to cover the expense of moving goods or passengers from one point to another. The only way it can be bettered, revenues and other things being equal, is by an improvement in the tools and methods involved in the transportation job. It is therefore a principal efficiency measure, and in the case of the North Western, we may be seeing signs of some benefit from the efforts of the new management which took over last April 1. This does not necessarily mean that the road is now "in the groove" or that there may not be some relapse, since growing efficiency may be at least temporarily obscured by a rise in the Transportation Ratio due to wage increases. The demands of the operating brotherhoods which affect the Transportation Ratio most directly are still in the process of negotiation but will presumably be made retroactive to Nov. 1 which was the effective date for the increase for the "non-ops." Any distortion is looked upon as temporary, however, since the 5% "emergency" freight rate increase granted Western carriers on December 17, and which for the most part applies to the North Western, is calculated to be a substantial offset to the higher wage costs, although not as great, unfortunately in the cast of the North Western as for most others.

Basic improvement in the Transportation Ratio of the North Western will, on the other hand, have to come from further modernization and improvement, and the new management has well-conceived plans along these lines. These include the closing of 14 separate car shops and the consolidation of this operation of construction and repair in the new Clinton, Iowa shop scheduled for completion in the first quarter of next year. Another efficiency move is contemplated in the consolidation of freight yards in both Milwaukee and Chicago. Dieselization is now all but complete, and the October showing may reflect this factor particularly. It was stated way last May that all Chicago suburban trains had been placed under diesel power and that, even then, only 30 steam locomotives were left in the system.

An overall saving of $2 million annually is also expected to result from the lease of the road's principal subsidiary, the 1,500 mile Chicago, St. Paul, Minneapolis & Omaha, which extends mainly from Duluth and Superior southward to Omaha via the Twin Cities and Sioux City. The consolidation with this subsidiary will be mostly a cash saving, however, since the "Omaha" has not operated at a profit since 1938, and the absorption of the losses of this road is expected to offset much of the expected $2 million economy. The Omaha now is a wholly-owned but separately operated subsidiary.

A more recent move is one, if it becomes operative, which will obviate the need to make a $21,562,453 deduction from any income otherwise available for payment on the road's second mortgage income bonds or for payment of dividends in the next several years. This matter hangs on the agreement of bondholders to accept certain indenture changes, since it is provided by present terms that any such charges must be applied to available income for the year in which the charge is made. It is reported thus far that the road has been informally advised by holders of 84.6% of the first mortgage 3s that they will agree to the indenture changes even though the interest on this issue is not involved.

The $21,562,453 charge in question represents a correction of prior years' income accounts since the 1939 reorganization, and this and other adjustments have arisen from recent studies by a nationally known accounting firm engaged by the new management to place the financial background of the road on a more realistic basis. Another large item to be adjusted is the road's holding of $46,186,000 principal value of Chicago, St. Paul, Minneapolis & Omaha first 5s on which no interest has been paid since 1938. In spite of this impairment, and of the inability of the road to earn the interest, these bonds have nevertheless been carried at full face value. It is now proposed to write the book value of this "asset" down to $26,850,000, thus involving a $19,336,000 charge-off. A number of lesser adjustments are also to be made in order to make the road's capital account more realistic.

For the first 10 months of this year the North Western not only showed a $5,871,000 net deficit after all charges but even suffered a $976,000 deficit to net operating income in spite of the pick-up of the last three months of the period. This looks like a doleful earnings background for stocks selling in the 25-30 area, but there is a speculative angle that has certain appeal. This lies primarily in the relatively small share capitalization of the road and the resulting "leverage" that is potentially afforded. A related factor is the small floating supply of the stock which makes it sensitive to market interest, one way or the other. Of the combined amount of 1,729,447 shares of both classes of stock—913,903 preferred and 815,544 common—interests affiliated with the new management stated last Spring that they owned 550,000 shares.

The situation of the Second mortgage income 4½s was discussed in this column in the Nov. 29 issue under the head of "Four Much Discussed Borderline Rail Income Bonds." Despite the better October results there has been no material change in the near-term outlook for this issue, which is that the estimated earnings for 1956 indicate nothing available for payment of any interest next April 1 when earned interest would otherwise be payable.

MERRY CHRISTMAS!

N. Y. Inv. Ass'n Elects New Officer

At the annual meeting of the Investment Association of New York, Maitland Ijams, W. C. Langley & Co. was elected President


Maitland Ijams Donald Coons

William G. Gallagher

of the organization. The other officers and Executive Committee Chairmen elected for 1957 included William G. Gallagher, Kidder, Peabody & Co. as Vice-President; Donald S. Coons, Smith, Barney & Co. as Secretary and Vance Van Dine, Morgan Stanley & Co., as Treasurer.

The members of the Executive Board that were also elected were Chairman of the Education Committee, Worthington Mayo-Smith, Merrill Lynch, Pierce, Fenner & Beane; Chairman of the Entertainment Committee, A. Parker Hall, Jr., Shearson, Hammill & Co.; Chairman of the Membership Committee, Richard C. Egbert, Estabrook & Co.; Chairman of the Program Committee, John William Middendorf, Wood, Struthers & Co.; and Chairman of the Publicity and Publications Committee, Charles C. Lee, Jr., White, Weld & Co.

The Investment Association of New York is comprised of men in the investment banking and brokerage industry who are under 35 years of age. There are now over 450 members. The main purpose of the Association is to promote a spirit of cooperation and understanding among the members and to aid in their further education.

The Investment Association of New York Speakers' Bureau currently has over 40 members and these speakers appeared before close to 100 audiences comprising an estimated 5,000 persons during 1956. These ranged from single lectures to 10-week courses at universities and adult education schools. During recent months Larry Zant spoke before a group of 20 persons at the New York Villanova Club, Robert Seebeck addressed 50 members of the New Jersey Workshop on Economic Education, William Ruane spoke at the Greenwich Village Kiwanis Club and Edward P. Ward gave a talk before the Foremans Club of McGregor-Doniger Corp.

In addition Leon Weil addressed the Green T-Square Club, Robert Foster spoke at the Womens Club of Wood-Ridge, N. J., and Edward Ward discussed investments at the New York Community Center. Among the courses now in progress, William Ruane, Pete Burr, Aaron Feigen, Cliff Grey and Walt Stern are conducting a course for 125 persons at the Jewish Community Center; Leon Weil, Brent Neale, Vance Van Dine, Hamp Frady, William Ruane, Pete Burr and W. Mayo Smith are speaking before a class of 125 persons at New York University at which Larry Zant is acting as coordinator.

Vance Van Dine, Lewis Kaufman, Leon Weil and Ronald Wittreich are addressing a New York City Board of Education Teachers In-Service Course. Lewis Kaufman, Dan Jackson, William Ruane and Walt Stern are speaking at the Barnard Baruch School of Business. Eugene Kelley and Aaron Feigen are conducting a course for 250 persons at the Bronx Park Community Institute. Many other additional lectures and courses have been scheduled for the future by the Speakers' Bureau.

Continued from page 7

The State of Trade and Industry

compares with rates of 1,050,000 units in October and 1,179,000 in November of last year.

For the first 11 months of this year, private housing starts totaled 1,032,400 units as compared with 1,236,000 in the like period last year.

The number of new business charters issued in November fell sharply to 9,749, from 11,546 in October, a percentage drop of 15.6%, reports Dun & Bradstreet, Inc. Comparison with 10,157 corporate formations in November last year reveals a decline of 4.0% and the fourth time this year that incorporations fell below the 1955 level.

The cumulative total of new business incorporations for the first 11 months this year came to 129,987, a new high record for the period, and a rise of 1.5% above the 128,112 for the similar period a year ago.

Business failures declined 14% in November to 999, but remained 6% above a year ago. The toll was higher than that of any November since 1940 when 1,024 occurred.

The failures rate per 10,000 enterprises as shown by Dun's "Failure Index," dipped to 48.5, the lowest rate in seven months. However, casualties occurred at a slightly higher rate than in November last year, when 46.3 per 10,000 were recorded. The current rate continued well below the prewar 59.5 in 1940.

Liabilities fell 20% in November to $39,886,000, the second lowest volume so far this year, and 7% below a year ago. Fewer concerns failed in all size groups than in October. The decline from 1955 was concentrated in casualties involving liabilities of $100,000 or more, which were 10% below last year.

Except for commercial service, failures in all industry and trade groups declined in November.

All groups, except manufacturing, reported more casualties than a year ago. The sharpest year-to-year increase occurred in construction, where failures rose 29%.

Failures declined in November from the previous month in six of the nine goegraphic regions. Casualties exceeded those of a year ago in six regions, with an increase of over 40% in the East North Central States.

Steel Output Scheduled at 102% of Capacity This Week

Appliance makers expect 1957 sales to be 5 to 10% better than this year's, "Steel" magazine, the national metalworking weekly, reported on Monday of the current week. It said appliance trends will be mixed, but upward.

Sales leaders will be room air conditioners, up 25%; electric freezers and automatic dryers both gas and electric, up 10% and household radios, up 5%. Automatic washers, combination washer-dryers and electric water heaters also will trend upward, it added.

Little change is ahead in sales of electric ranges and television sets and slight declines may show up in electric refrigerators and gas ranges and water heaters.

The publication reported that newer appliances and new versions of old ones are stimulating the market.

Factors influencing the appliance industry are the same as those affecting the metalworking industry generally, this authority pointed out.

It stated a survey showed that "Steel's" readers believe these factors will make for good business in 1957. The highway building program, the construction boom, heavy outlays for capital equipment, a favorable domestic political climate, fairly stable labor conditions and the availability of more efficient production equipment.

More companies are also counting on new products which were unknown a few years ago but now are in large-scale production.

Worrisome factors mentioned mainly concerned problems of prosperity. Many readers commented on the effect the tight money policy will have on expansion programs. Some believe the policy is wise and necessary, while others are concerned lest it have a heavy retarding effect.

The shortage of engineers and skilled workers is frequently noted. Material shortages, particularly steel plates, shapes and nickel, bother users. Foundries and steel mills are worried about high scrap prices. Some companies see their greatest problem is in the competition offered by foreign products, produced with cheap labor.

Over-all, the comments indicate we will have a good year in 1957 and that metalworking sales again will establish a record.

"Steel's" finished steel base price composite remains at $137.66 a net ton. In the first reversal in price since mid-October, the composite on steelmaking scrap declined 67 cents a ton, to $65.50 a gross ton.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be an average of 102.0% of capacity for the week beginning Dec. 17, 1956, equivalent to 2,511,000 tons of ingot and steel for castings as compared with 102.4% of capacity, and 2,522,000 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 placed at 2,338,000 tons or 96.9%. The operating rate is not comparable because capacity is higher than capacity in 1955. The percentage figures for 1955 are based on an annual capacity of 125,828,310 tons as of Jan. 1, 1955.

Electric Output Recovers in Latest Week to Establish A New All-Time High Record

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Dec. 15, 1956, was estimated at 12,220,000,000 kwh., a moderate increase above the week ended Dec. 8, 1956, according to the Edison Electric Institute.

The past week's output rose 173,000,000 kwh. above that of the previous week, and at the same time established a new all-time high since the week ended Dec. 1, 1955 when output reached 12,075,000,000 kwh.; it increased 618,000,000 kwh. or 5.3% above the comparable 1955 week and 2,311,000,000 kwh. over the like week in 1954.

Car Loadings in Week Ended Dec. 8 Dipped 1.9% Under Preceding Week

Loadings of revenue freight for the week ended Dec. 8, 1956, were 14,393 cars or 1.9% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Dec. 8, 1956, totaled 737,757 cars, an increase of 16,239 cars or 2.3% above the corresponding 1955 week and an increase of 84,226 cars, or 12.9% above the corresponding week in 1954.

U. S. Automotive Industry Looks for Continued High Level Production in the Weeks Ahead

Car output for the latest week ended Dec. 14, 1956, according to "Ward's Automotive Reports," showed a mild decline from the week previous, but heavy Saturday scheduling was widespread throughout the industry. It looked for continued high-level production.

Last week the industry assembled an estimated 166,219 cars, compared with 167,576 (revised) in the previous week. The past week's production total of cars and trucks amounted to 190,152 units, or a decrease of 1,515 units below that of the preceding week's output, states "Ward's."

Last week's car output decreased below that of the previous week by 1,357 cars, while truck output declined by 158 vehicles during the week. In the corresponding week last year 169,256 cars and 27,166 trucks were assembled.

Last week the agency reported there were 23,933 trucks made in the United States. This compared with 24,091 in the previous week and 27,166 a year ago.

Canadian output last week was placed at 9,760 cars and 2,087 trucks. In the previous week Dominion plants built 8,712 cars and 1,911 trucks and for the comparable 1955 week 6,382 cars and 1,064 trucks.

Business Failures Decreased Slightly in Past Week

Commercial and industrial failures dipped to 249 in the week ended Dec. 13 from 270 in the preceding week, Dun & Bradstreet, Inc., reports. However, the toll remained slightly above the 247 a year ago, and exceeded considerably the 208 in 1954. Continuing below the prewar level, failures were down 8% from the 270 in the comparable week of 1939.

Failures with liabilities of $5,000 or more declined to 210 from 225 last week, but were slightly above the 207 of this size in the similar week of 1955. Among small casualties with liabilities under $5,000, there was a decrease to 39 from 45 a week ago and 40 in the previous year. Twenty-three concerns failed with liabilities in excess of $100,000, as against 25 a week ago.

Most of the week's decline centered in retail trade where the toll fell to 118 from 141. Wholesaling failures dipped slightly to 14 from 16 and commercial service to 26 from 27. Construction casualties rose to 47 from 43 and manufacturing edged to 44 from 43. More businesses failed in construction and service than a year ago, while the retail toll was unchanged from the 1955 level. Dips from last year's prevailed in manufacturing and wholesaling.

Wholesale Food Price Index Rises in Latest Week to Equal 1956 Peak

Following a slight dip last week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., turned higher last week to stand at $6.18 on Dec. 11, and to equal the 1956 high point also registered on June 5. The latest figure is up from $6.14 a week earlier and marks an increase of 3.7% over the comparable 1955 level of $5.96.

Moving higher in wholesale cost the past week were corn, rye, barley, hams, bellies, lard, cottonseed oil, tea, eggs, hogs and lambs. Declines occurred in flour, wheat, oats, beef, butter, coffee, cocoa and steers.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Lifted to Higher Level In the Past Week

Following a rather sharp decline in the early part of the week, the Dun & Bradstreet daily wholesale commodity price index resumed its upward trend to close at 300.96 on Dec. 11. This contrasted with 300.18 a week earlier and with 278.87 on the corresponding date a year ago.

Grain price movements were irregular with the trend generally lower as a result of the easing in the international situation.

Demand for wheat was less active. Influenced by the recent higher level of prices for wheat, producer offerings of the bread cereal increased substantially, and receipts at primary markets last week totalled 10,700,000 bushels, compared with 8,000,000 the previous week. Cash corn markets finished strong despite heavy stocks and increased arrivals of CCC corn at Chicago. Oats declined with reported imports from Canada causing some selling of that grain. Heavy selling and liquidation of long holdings on the Chicago Board of Trade resulted in a sharp increase in activity last week. Average daily purchases of grain and soybean futures totaled 80,400,000 bushels against 59,500,000 the previous week and 41,100,000 in the same week last year.

Flour prices held fairly steady in slow trading. Domestic bookings of all types of flour remained small with most buyers content to draw upon balances. Export inquiries continued small but scattered sales were reported to Indonesia and the Americas. There was an improvement in demand for rice as a result of colder weather which has stimulated consumer buying. Export demand for rice broadened also, due to the Suez situation, affecting supplies that formerly came from the Far East.

Green coffee prices trended slightly easier as roasters continued to buy sparingly.

Cocoa prices ended moderately lower, reflecting disappointing trade support and an absence of important manufacturing demand. Warehouse stocks of cocoa continued to decline and totalled 292,897 bags against 300,723 a week earlier and 296,514 at this time a year ago.

Aggressive demand coupled with smaller receipts lifted hog prices to the highest level in several months.

Lard and other vegetable oils, however, turned downward the past week, under selling prompted largely by a lessening of tension in the international situation.

Spot cotton prices remained steady last week although futures continued to lose ground. Losses were heaviest in the more distant deliveries which were under pressure of hedge selling and liquidation, influenced by the slower pace of loan entries and talk of a lower support price next season. Trade buying, short covering and some price fixing helped to hold declines in check.

The Department of Agriculture in its final estimate of the season placed the 1956 cotton crop at 13,303,000 bales of 500 pounds gross weight.

This was 150,000 bales larger than its forecast in November. It compared with 14,721,000 bales produced last year and the 10-year (1945-54) average of 13,093,000 bales.

Trade Volume in Latest Week Continues Below Level Of a Year Ago

Although consumer spending rose moderately the past week, retail volume continued below that of last year.

Noticeable year-to-year decreases occurred in the buying or many apparel lines, toys, gifts and major appliances.

Automobile dealers reported a continued rise in new passenger cars and sales slightly exceeded those of a year ago; volume in used cars advanced appreciably.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 4% below to unchanged from a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1955 levels by the following percentages: New England and Middle Atlantic —5 to —1; East North Central —4 to 0; West North Central —6 to —2; South Atlantic and Pacific Coast —3 to +1; East South Central 0 to +4; West South Central and Mountain —2 to +2%.

Unseasonably warm weather discouraged consumer buying of women's coats and suits last week, but the call for dresses and sportswear rose somewhat. While interest in lingerie, cosmetics, handbags and jewelry expanded considerably, volume was moderately below that of a year ago. Sales of men's apparel were sluggish, and noticeable year-to-year declines occurred in purchases of dress shirts, hats, topcoats and suits.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Dec. 8, 1956, declined 4% below those of the like period last year. In the preceding week, Dec. 1, 1956, a decrease of 1% was reported. For the four weeks ended Dec. 8, 1956, no change was recorded. For the period Jan. 1, 1956 to Dec. 8, 1956, a gain of 3% was registered above that of 1955.

Retail trade volume in New York City the past week continued on a reduced scale with major department stores registering declines of 4% to 6% under the like week a year ago.

Inclement weather was the main reason for the generally slower pace of Christmas sales, trade observers reported.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Dec. 8, 1956, showed a decrease of 7% under the like period of last year. In the preceding week Dec. 1, 1956, no change was recorded. For the four weeks ending Dec. 8, 1956, no change was also registered. For the period Jan. 1, 1956 to Dec. 8, 1956, the index recorded a rise of 3% above that of the corresponding period in 1955.

F. L. Rossmann Partner

Samuel S. Grant, member of the New York Stock Exchange, on December 10th became a partner in F. L. Rossmann & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

David Greene Admits

On January 1st Alan I. Greene will be admitted to partnership in David J. Greene & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange.

Kerbs, Haney Admit

John S. Kerbs will be admitted to partnership in Kerbs, Haney & Co., 39 Broadway, New York City, members of the New York Stock Exchange.

"Syndicats" Luncheon

The annual Christmas luncheon of "The Syndicats", comprising women secretaries of syndicate managers of Wall Street firms and banks, was held Dec. 19 at the City Midday Club.

New Firm Name

SEATTLE, Wash. — The firm name of Badgeley, Frederick, Rogers & Morford has been changed to Badgley, Frederick & Rogers, Inc. New offices are located at 1118 Fourth Avenue.

Kaufmann Partners

On December 12th John J. Bruno was admitted to general partnership and Alan G. Lehman to limited partnership in Jay W. Kaufmann & Co., 111 Broadway, New York City, members of the American Stock Exchange.

New Baxter Branch

HARTFORD, Conn. — Baxter & Company has opened a branch office in the Hartford-Aetna Building.

Samuel Franklin Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Willis H. Doetschman, William B. Nelson, Jack Nome, Robert S. Weseloh, Norman L. Smith and James N. Yamamoto are now connected with Samuel B. Franklin & Company, 215 West Seventh Street.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Allied Resources Fund, Inc., Minneapolis, Minn.
Dec. 14 filed 400,000 shares of common stock (par one cent). **Price**—At market. **Proceeds**—For investment.

★ Aluminum Co. of America (1/9)
Dec. 14 filed $125,000,000 of sinking fund debentures due 1982. **Price**—To be supplied by amendment. **Proceeds**—To retire $50,000,000 of short-term bank loans and for construction program. **Underwriter** — The First Boston Corp., New York.

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 Insurance Trust Fund, Inc., Reno, Nev.
Dec. 7 filed $5,000,000 of participating agreements. **Proceeds**—For investment.

★ American Monorail Co., Cleveland, O.
Dec. 18 filed 40,000 shares of $1.20 cumulative convertible preferred stock, 1956 series. **Price**—At par ($20 per share). **Proceeds** — For working capital and to reduce bank loans. **Underwriter** — Fulton, Reid & Co., Inc., Cleveland, O. [Registration also covers 30,400 shares of common stock (par $1) already issued and outstanding and being registered for the purpose of offering the purchasers thereof an opportunity to rescind their purchases of such shares.]

★ Armco Steel Corp. (1/10)
Dec. 18 filed a maximum of 1,092,925 shares of common stock (par $10), but not less than 1,087,783 shares, to be offered for subscription by common stockholders of record Jan. 9, 1957 at the rate of one new share for each 10 shares held; rights to expire on Jan. 24, 1957. **Price**—To be supplied by amendment. **Proceeds**—For expansion program and working capital. **Underwriter**—Smith, Barney & Co., New York.

Atlantic City Electric Co. (1/23)
Dec. 12 filed $10,000,000 of 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.; The First Boston Corp. and Drexel & Co. (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Blair & Co. Incorporated; White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers; Blyth & Co., Inc. **Bids**—Expected to be received up to 11 a.m. (EST) on Jan. 23 at Irving Trust Co., One Wall St., New York 15, N. Y.

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.

★ Bearings, Inc., Cleveland, O.
Dec. 13 (letter of notification) $250,000 of 5-year 6% convertible debentures to be offered for subscription by selected employees of company and its subsidiaries. **Price**—At par (in denominations of $400 each). **Proceeds**—For working capital. **Office**—3634 Euclid Ave., Cleveland, O. **Underwriter**—None.

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.

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.

Centers Corp., Philadelphia, Pa.
July 30 filed $8,000,000 of 5½% sinking fund debentures due Aug. 1, 1971, and 1,600,000 shares of common stock (par one cent); subsequently amended to $4,500,000 of debentures. **Price** — To be supplied by amendment. **Proceeds** — About $4,100,000 will be used to acquire seven shopping center sites and a Penn Fruit supermarket adjacent to one of them; the balance will be used to develop shopping centers at the seven sites and to acquire and develop additional sites for related real estate activities, and for general corporate purposes. **Underwriter** — Blair & Co. Incorporated, Philadelphia and New York. Latter has agreed to purchase an additional 300,000 common shares and reoffer them to persons selected by it at $1.10 per share. **Offering**—Date indefinite.

Century Controls Corp., Farmingdale, 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.

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.

★ Colonial Fund, Inc., Boston, Mass.
Dec. 17 filed 1,600,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

★ Combined Minerals, Inc.
Dec. 11 (letter of notification) 11,600 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For inventories and expansion. **Office** — 1340 So. Lipan St., Denver 23, Colo. Underwriter—None.

★ Continental Copper & Steel Industries, Inc.
Dec. 18 filed 170,000 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held. **Price**—To be supplied by amendment. **Proceeds** — For additions and improvements; and for working capital. **Underwriters** — Allen & Co., P. W. Brooks & Co., Inc. and Auchincloss, Parker & Redpath, all of New York.

★ Cyril Bath Co.
Dec. 6 (letter of notification) 33,000 shares of common stock (par $1), of which 16,500 shares are to be offered for the account of the company and 16,500 shares for the account of Cyril J. Bath, the selling stockholder. **Price**—$6 per share. **Proceeds**—To reduce outstanding mortgage loans and for working capital. **Office**—32420 Aurora Road, Solon, Ohio. **Underwriter**—L. B. Schwinn & Co., Cleveland, Ohio.

Diversified Oil & Mining Corp., Denver, Colo.
Aug. 29 filed 2,500,000 shares of 6% convertible noncumulative preferred stock, first series (par $1), and warrants to purchase 500,000 shares of common stock (par 10 cents) to be offered for subscription initially by common stockholders in units of 25 preferred shares and a warrant to purchase five common shares. **Price**—$25.50 per unit (each warrant will entitle the holder to purchase one common share at any time prior to Dec. 31, 1957 at $2 per share). **Proceeds**—To repay mortgages, to $1,312,500 of five-year 6% sinking fund debentures, and for further acquisitions and working capital. **Underwriter**—To be named by amendment.

Douglas Corp., Fort Collins, Colo.
July 27 filed 4,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds** — For exploration, development and acquisition of properties and for working capital. **Underwriter**—Columbia Securities Co., Denver, Colo.

★ Drexel Furniture Co., Drexel, N. C.
Dec. 12 filed 190,000 shares of common stock (par $2.50) to be offered in exchange for common stock and class B common stock of Heritage Furniture, Inc., High Point, N. C., and for common stock of Morganton Furniture Co., Morganton, N. C., on the following basis: 1½ shares of Drexel stock for each Heritage share and three-quarters of a share of Drexel stock for each Morganton share. These offers are contingent upon acceptance of not less than 80% of the 665 outstanding class B shares of Heritage and of the 80,000 common shares of Morganton; and not less than 64,992 of the 70,910 outstanding class B shares of Heritage. **Underwriter**—None.

• Economics Laboratory, Inc. (1/7-11)
Dec. 12 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment (expected at about $15 to $16 per share). **Proceeds**—For general corporate purposes. **Office**—St. Paul, Minn. **Underwriters**—W. E. Hutton & Co., Cincinnati, Ohio, and Kalman & Co., Inc., St. Paul, Minn.

★ El Paso Natural Gas Co.
Dec. 14 filed 5,235,952 shares of common B stock (par $3) to be offered in exchange for common stock of Pacific Northwest Pipeline Corp. on the basis of 14 of common B stock for each eight shares of Pacific Northwest common stock. The offer is subject to acceptance by holders of at least 2,435,000 shares of Pacific Northwest. **Underwriter**—None.

★ Eldorado Manufacturing Corp., Eldorado, Ill.
Dec. 11 (letter of notification) 15,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To construct a building; to purchase and install machinery; and for working capital. **Underwriter**—None.

• Erie Natural Gas Co., Inc.
Dec. 4 (letter of notification) 75,000 shares of common stock (par 50 cents). **Price**—$2 per share. **Proceeds**—To drill and prospect for natural gas. **Office**—317 Baldwin Bldg., Erie, Pa. **Underwriter**—McDonald, Holman & Co., Inc., New York. **Offering**—New being made.

Eternalite, Inc., New Orleans, La. (1/15)
Sept. 24 filed 200,000 shares of class A common stock (par 50 cents). **Price**—$4.50 per share. **Proceeds**—To repay loan; for maintenance of and increase of inventory; for development of branch offices; and for research, laboratory tests, and testing equipment. **Underwriter**—Vickers Brothers, New York.

★ Fidelity Fund, Inc., Boston, Mass.
Dec. 13 filed (by amendment) 1,133,539 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

Flakewood Corp., San Francisco, Calif.
Nov. 14 filed 100,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For construction of manufacturing plant and to provide working capital. **Underwriter**—None. Robert E. Evju is President.

Florida Growth Fund, Inc.
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. **Offering**—Temporarily postponed.

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.

Fruit Juices, Inc.
Dec. 3 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For working capital. **Office** — 1115 South Washington St., Marion, Ind. **Underwriter**—Sterling Securities Co., Los Angeles, Calif.

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 Co. of Michigan
Dec. 18 filed 160,000 shares of $1.35 cumulative preferred stock (par $25), to be offered in exchange for the outstanding shares of $2.70, $2.75, $1.44 and $1.35 cumulative preferred stocks of Union Telephone Co. on the following basis: For each share of Union $2.70 or $2.75 preferred, two shares of General preferred, plus $2 in cash; for each share of Union $1.44 or $1.35 preferred, one share of General preferred, plus $1.25 in cash. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York.

Genisco, Inc., Los Angeles, Calif.
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. **Offering**—Expected this week.

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.
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.

● **Hansen Manufacturing Co., Cleveland, Ohio**
Dec. 11 filed 133,200 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters**—Hayden, Miller & Co. and Ball, Burge & Kraus, both of Cleveland, O.

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.

Hartford Gas Co., Hartford, Conn.
Dec. 11 filed 60,000 shares of common stock (par $25), issuable against conversion of $1,500,000 3½% 10-year convertible debentures due July 1, 1965. Owners of the debentures will be entitled on and after Jan. 1, 1957 to convert such debentures into common shares by exercising the conversion privilege conferred by the indenture. The conversion price is initially $27 per share of common stock acquired and is payable by the surrender of $25 principal amount of debentures and payment of $2 in cash.

● **Hawaiian Pineapple Co., Ltd. (1/2)**
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; rights to expire about Jan. 20. **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.

● **Idaho Power Co. (1/7)**
Dec. 7 filed $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: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Blyth & Co., Inc., Lazard Freres & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co.; Harriman, Ripley & Co. Inc.; Salomon Bros. & Hutzler; Kuhn, Loeb & Co. **Bids** — Tentatively expected to be received up to 11 a.m. (EST) on Jan. 7, 1957.

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.

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.

★ **Jefferson Custodian Fund, Inc., New York**
Dec. 14 filed (by amendment) 200,000 additional shares of capital stock (par $1). **Price**—At market. **Proceeds**—For Investment.

● **K D I Corp., Rochester, N. Y. (1/7-11)**
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.

★ **Lee Bros., Inc.**
Dec. 11 (letter of notification) 11,500 shares of common stock (par $1) and 11,500 shares of preferred stock (par $25) to be offered in units of one share of common and one share of preferred. **Price**—$26 per unit. **Proceeds**—To enlarge super-market business in the San Francisco Bay area and Northern California. **Office**—26081 Mocine Avenue, Hayward, Calif. **Underwriter**—None.

Life Insurance Co. of South Carolina
Oct. 15 filed 339,600 shares of common stock (no par) to be offered for subscription by stockholders of record Sept. 12, 1956 at the rate of two shares of new stock for each share held. **Price**—To stockholders, $10 per share; and to public, $15 per share. **Proceeds**—For expansion and working capital. **Underwriter**—None. Public offering will be made by employees of the company and qualified licensed dealers.

● **Ling Electronics, Inc., Los Angeles, Calif.**
Nov. 5 filed 183,333 shares of common stock (par 50 cents) being offered for subscription by common stockholders at the rate of one new share for each six shares held as of Dec. 7 (with an oversubscription privilege); rights to expire on Dec. 27. **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Perkins & Co., Inc., Dallas, Texas. **Offering**—Expected this week.

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 up to noon (EST) on 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.

● **Maine Fidelity Fire & Casualty Co. (1/15)**
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.

May Stores Realty Corp.
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

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NEW ISSUE CALENDAR

December 27 (Thursday)
Chesapeake & Ohio Ry.—Equipment Trust Ctfs.
(Bids noon EST) $4,200,000
Peerless Life Insurance Co.—Common
(Newborg & Co.) $287,500

January 2, 1957 (Wednesday)
Hawaiian Pineapple Co., Ltd.—Common
(Offering to stockholders—Underwritten by Dean Witter & Co.) 413,920 shares
Texas Fuel Corp.—Common
(Franklin Securities Co.) $300,000

January 3, 1957 (Thursday)
Prince Marine Drilling & Exploration Co.—Debentures & Common
(Shields & Co.) $1,375,000
Southern Pacific Co.—Equip. Trust Ctfs.
(Bids to be invited) $9,600,000

January 4, 1957 (Friday)
Scovill Manufacturing Co.—Debentures
(Morgan Stanley & Co.) $10,000,000
Scovill Manufacturing Co.—Common
(Offering to stockholders—to be underwritten by Morgan Stanley & Co.) 176,450 shares

January 7, 1957 (Monday)
Economics Laboratory, Inc.—Common
(W. E. Hutton & Co. and Kalman & Co., Inc.) 100,000 shares
Idaho Power Co.—Bonds
(Bids 11 a.m. EST) $20,000,000
K D I Corp.—Preferred
(McDonald, Holman & Co., Inc.) $499,996
Mohawk Airlines, Inc.—Debentures
(Mohawk Valley Investing Co.; Allen & Co., and Gregory & Sons) $694,000
Northwestern Public Service Co.—Common
(Offering to stockholders—To be underwritten by A. C. Allyn & Co., Inc.) 54,120 shares
Standard Oil Co. (Ohio)—Debentures
(F. S. Moseley & Co.) $25,000,000

January 8, 1957 (Tuesday)
Illinois Power Co.—Common
(The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane) 200,000 shares
New England Tel. & Tel. Co.—Debentures
(Bids to be invited) $35,000,000
Southern Ry.—Equipment Trust Ctfs.
(Bids to be invited) $5,640,000

January 9, 1957 (Wednesday)
Aluminum Co. of America—Debentures
(The First Boston Corp.) $125,000,000
National Bank of Commerce, Memphis, Tenn.—Common
(Offering to stockholders—to be underwritten by Leftwich & Ross) $1,000,000
Pacific Power & Light Co.—Bonds
(Bids 11 a.m. EST) $20,000,000
Pacific Power & Light Co.—Preferred
(Bids 11 a.m. EST) $9,000,000
Wabash RR.—Equip. Trust Ctfs.
(Bids to be invited) about $2,000,000

January 10, 1957 (Thursday)
Armco Steel Corp.—Common
(Offering to stockholders—to be underwritten by Smith, Barney & Co.) not more than 1,092,925 shares
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 14, 1957 (Monday)
Sylvania Electric Products, Inc.—Debentures
(Paine, Webber, Jackson & Curtis) $25,000,000

January 15, 1957 (Tuesday)
Eternalite, Inc.—Class A Common
(Vickers Brothers) $900,000
Hamilton Paper Co.—Common
(Offering to stockholders—to be underwritten by Stroud & Co., Inc.) 108,160 shares
Louisiana Power & Light Co.—Bonds
(Bids noon EST) $20,000,000
Maine Fidelity Fire & Casualty Co.—Common
(McLaughlin, Cryan & Co.) $1,243,750
Southwestern Public Service Co.—Common
(Offering to stockholders—to be underwritten by Dillon, Read & Co.) 292,000 shares
Spar-Mica Corp.—Preferred & Common
(Hamlin & Lunt; Allen & Co.; Cowen & Co.; and Straus, Blosser & McDowell) about $1,500,000
Valley National Bank—Common
(Offering to stockholders — may be underwritten by William R. Staats & Co. and Blyth & Co., Inc.) 105,000 shares
Winters National Bank & Trust Co.—Common
(Offering to stockholders—to be underwritten by Green & Ladd and Grant Brownell & Co.) $3,850,000

January 16, 1957 (Wednesday)
New Brunswick (Province of)—Debentures
(Halsey, Stuart & Co. Inc.) $10,000,000
Norfolk & Western Ry.—Equip. Trust Ctfs.
(Bids to be invited) about $4,650,000

January 17, 1957 (Thursday)
Oklahoma Gas & Electric Co.—Bonds
(Bids to be invited) $20,000,000

January 22, 1957 (Tuesday)
Cincinnati, New Orleans, Texas & Pacific Ry.—Equip. Trust Ctfs.
(Bids to be invited) approximately $4,000,000
Pacific Gas & Electric Co.—Bonds
(Bids to be invited) $35,000,000
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 23, 1957 (Wednesday)
Atlantic City Electric Co.—Bonds
(Bids 11 a.m. EST) $10,000,000

January 24, 1957 (Thursday)
Pittsburgh & Lake Erie RR.—Equip. Trust Ctfs.
(Bids to be invited) $6,720,000

January 29, 1957 (Tuesday)
Mountain States Tel. & Tel. Co.—Debentures
(Bids to be invited) $35,000,000

February 4, 1957 (Monday)
Douglas Aircraft Co.—Debentures
(Merrill Lynch, Pierce, Fenner & Beane and Kuhn, Loeb & Co.) $25,000,000
Public Service Co. of Oklahoma—Bonds
(Bids to be invited) about $12,000,000

March 26, 1957 (Tuesday)
American Telephone & Telegraph Co.—Bonds
(Bids to be invited) $250,000,000

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to be leased to parent. **Underwriters**—Goldman, Sachs & Co. and Lehman Brothers, both of New York. **Offering**—Temporarily postponed.

McRae Tungsten Corp., Boise, Idaho
Nov. 30 (letter of notification) 100,000 shares of common stock (par one cent) and 100,000 stock purchase warrants (each two warrants to entitle holder thereof to purchase one share of Idaho Rare Minerals Corp. 6% cumulative convertible sinking fund preferred stock, par $10, and one share of Idaho Rare common stock, par one cent at $11 per unit). **Price**—$3 per unit, consisting of one McRae share and one warrant. **Proceeds** — For mining expenses. **Office**—c/o Robert J. McRae, 1704 Courley St., Boise, Ida. **Underwriter**—Von Gemmingen & Co., Inc., 320 North Fourth St., St. Louis, Mo.

Michigan Wisconsin Pipe Line Co.
July 2 filed $25,000,000 of first mortgage pipe line bonds due 1976. **Proceeds**—To pay off short term bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc. **Bids**—Three bids were received on Aug. 1, all for 4¾s, but were turned down. No new date for bids has been set.

Midnite Mines, Inc., Wellpinit, Wash.
Nov. 6 (letter of notification) 223,980 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To go to selling stockholders. **Underwriter** — Standard Securities Corp., Spokane, Wash.

★ **Mineral Projects-Venture F, Inc., Madison, N. J.**
Dec. 14 filed $2,500,000 of Participations in Capital as Limited Partnership Interests. **Price** — In $25,000 units. **Proceeds** — To acquire leaseholds and for drilling of initial or exploratory wells. **Underwriter**—Mineral Projects Co., Ltd., Madison, N. J.

Minerals, Inc., New York
June 22 filed 2,500,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To acquire for $2,400,000 the Chavin lead-zinc-copper-silver mine located in South Central Peru, and for general corporate purposes. **Underwriter** — Gearhart & Otis, Inc., New York. **Offering**—Postponed.

● **Mohawk Airlines, Inc., Ithaca, N. Y. (1/7)**
Oct. 26 filed $794,000 of 5½% convertible subordinated debentures due Aug. 1, 1966, of which $100,000 principal amount will be offered in exchange for outstanding 6% convertible notes. **Price** — 100% and accrued interest. **Proceeds** — For general corporate purposes. **Underwriters** — Mohawk Valley Investing Co., Utica, N. Y.; Dempsey-Tegeler & Co., St. Louis, Mo.; and Gregory & Sons, New York.

★ **Montana Power Co.**
Dec. 6 (letter of notification) approximately 7,100 shares of common stock (no par) to be offered to employees pursuant to stock purchase plan. **Price**—At market (estimated at $42 per share). **Proceeds**—To purchase stock for employees. **Office** — Electric Bldg., Butte, Mont. **Underwriter**—None.

Murphy (A. A.) & Co., Inc., St. Paul, Minn.
Dec. 3 (letter of notification) 6,000 shares of 6% prior preferred stock. **Price**—At par $50 per share). **Proceeds**—To reduce bank loans and for working capital. **Underwriter**—Piper, Jaffray & Hopwood, Minneapolis, Minn.

National Fidelity Insurance Co.
Nov. 30 (letter of notification) 33,000 shares of common stock (par $1.25) to be offered to stockholders on the basis of one share for each seven shares held. **Price**—$8 per share. **Proceeds**—For working capital. **Office**—314 Pine St., Spartanburg, N. C. **Underwriter**—None.

National Old Line Insurance Co.
Nov. 15, 1956 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 Brunswick (Province of) (1/16)**
Dec. 14 filed $10,000,000 of 25-year sinking fund debentures due Jan. 1, 1982. **Price**—To be supplied by amendment. **Proceeds**—To be advanced to The New Brunswick Electric Power Commission to repay bank loans. **Underwriter**—Halsey, Stuart & Co. Inc., New York and Chicago.

New England Electric System
Dec. 3 filed 319,000 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 England Telephone & Telegraph Co. (1/8)**
Dec. 11 filed $35,000,000 of 29-year debentures due Jan. 1, 1986. **Proceeds** — To repay advances from American Telephone & Telegraph Co. (the parent). **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co. **Bids** — Tentatively expected to be received on Jan. 8, 1957.

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. Statement may be withdrawn.

★ **New York University Club, Inc.**
Dec. 10 (letter of notification) $250,000 of 5% debenture bonds due March 1, 1967 (it is not intended to sell more than $75,000 of these bonds at present). **Price**—At par (in denominations of $250 each). **Proceeds**—For working capital and capital improvements. **Office**—123 West 40th St., New York, N. Y. **Underwriter**—None.

● **Norfolk & Carolina Telephone & Telegraph Co.**
Nov. 14 (letter of notification) 2,000 shares of common stock being offered for subscription by stockholders on a one-for-five basis; rights to expire on Dec. 21. **Price**—At par ($100 per share). **Proceeds**—For the retirement of a short-term note and other debts and additional new plant. **Underwriter**—None.

★ **Northwestern Public Service Co. (1/7-11)**
Dec. 18 filed 54,120 shares of common stock (par $3) to be offered for subscription by common stockholders on the basis of one new share for each 10 shares held. **Price**—To be supplied by amendment. **Proceeds**—For construction expenditures. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill.

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.

★ **Oklahoma Gas & Electric Co. (1/17)**
Dec. 19 filed $20,000,000 of first mortgage bonds due 1987. **Proceeds**—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.; Equitable Securities Corp.; Kuhn, Loeb & Co. **Bids** — Tentatively expected to be received on Jan. 17.

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.

★ **Pacific Petroleums, Ltd.**
Dec. 19 filed $13,000,000 of convertible debentures. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—Eastman Dillon, Union Securities & Co., New York. **Offering**—Expected in January.

Pacific Power & Light Co. (1/9)
Dec. 6 filed $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. and Kidder, Peabody & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on Jan. 9.

Pacific Power & Light Co. (1/9)
Dec. 6 filed 90,000 shares of serial preferred stock (par $100). **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Lehman Brothers; Blyth & Co., Inc.; Kidder, Peabody & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on Jan. 9.

● **Peerless Life Insurance Co. (12/27-28)**
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.

● **Peoples Finance Corp.**
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. **Offering**—Expected sometime in January.

★ **Perfecting Service Co.**
Dec. 10 (letter of notification) 10,000 shares of common stock (par $10). **Price**—$15 per share. **Proceeds**—For working capital. **Office** — 332 Atando Ave., Charlotte, N. C. **Underwriter**—None.

● **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., have withdrawn. **Offering**—May be withdrawn.

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.

★ **Pittsburgh Plate Glass Co.**
Dec. 10 filed 146,511 shares of common stock (par $10) to be offered pursuant to a Stock Option Plan to certain employees of the company and corporations directly or indirectly controlled by it. **Price**—$76.12 per share.

★ **Preston Moss Fund, Inc., Boston, Mass.**
Dec. 14 filed 20,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

Prince Marine Drilling & Exploration Co. (1/3)
Dec. 6 filed $1,250,000 of 5½% sinking fund debentures due Jan. 1, 1969 and 125,000 shares of common stock (par 50 cents) to be offered in units of $100 of debentures and 10 shares of stock. **Price** — $110 per unit. **Proceeds**—To acquire certain oil, gas and other mineral leasehold properties, including properties now producing gas and oil; to acquire equipment; and for working capital. **Office**—Houston, Tex. **Underwriter**—Shields & Co., New York.

Puerto Rican Jai Alai, Inc.
July 27 filed $1,500,000 of 12-year 6% first mortgage bonds due 1968, and 300,000 shares of common stock (par $1) to be offered in units of a $500 bond and 100 shares of stock. **Price** — To be $500 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 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.

★ **Rohr Aircraft Corp.**
Nov. 27 (letter of notification) an undetermined number of shares of common stock (par $1), not to exceed an aggregate of $300,000, to be offered to selected officers and key employees under a Restricted Stock Option Plan. **Price** — At least 95% of the mean between the highest and lowest quotation on the New York Stock Exchange on the date the option is granted. **Proceeds**—For working capital and general corporate purposes. **Office**—Foot of "H" St., Chula Vista, Calif. **Underwriter**—None.

St. Regis Paper Co.
Oct. 26 filed 750,000 shares of common stock (par $5) being 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.

★ **Scovill Manufacturing Co. (1/4)**
Dec. 14 filed $10,000,000 of 25-year debentures due Jan. 1, 1982. **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriter**—Mogan Stanley & Co., New York.

★ **Scovill Manufacturing Co. (1/4)**
Dec. 14 filed 176,450 shares of common stock (par $25) to be offered for subscription by common stockholders of record Jan. 3, 1957 at the rate of one new share for each eight shares held; rights to expire on Jan. 21. **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriter**—Morgan Stanley & Co., New York.

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 Sportsman, Inc., Atlanta, Ga.**
Dec. 7 filed 486,000 shares of common stock, of which 375,000 shares are to be publicly offered and 111,300 shares are to be reserved on exercise of options to be granted to employees of the company (latter exercisable on or before Dec. 31, 1956). **Price**—$3 per share. **Proceeds**—To buy or establish a complete sporting goods house; other expansion and inventories. **Underwriter**—Investment Underwriters, Inc., Atlanta, Ga. Philip H. Dohn, Jr., and Roger H. Bell, sole stockholders of the underwriter, are officers and directors of Southern Sportsman, Inc.

★ **Southern Syndicate, Inc.**
Dec. 5 (letter of notification) $130,000 series A registered convertible debentures due Feb. 1, 1967 to be offered first to stockholders for a 14-day period; then to the public. **Price**—90% of principal to stockholders; and at par to the public. **Proceeds**—For expansion of its present activities in the real estate and mortgage field. **Office**—1206 Citizens & Southern Bank Bldg., Atlanta, Ga. **Underwriter**—Allied Investment Co., Atlanta, Ga.

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. (1/15)**
Oct. 29 filed 400,000 shares of 5% convertible preferred stock (par $5) (amended Dec. 13 to 300,000 shares of 5% convertible preferred stock, par $5, and 600,000 shares of common stock to be offered in units of one preferred share and two common shares). **Price**—To net company $5 per unit in Canadian funds, or approximately $5.21 per unit in United States funds. **Proceeds**—For construction costs. **Office** — Montreal, Canada. **Underwriters**—Hamlin & Lunt, Buffalo, N. Y.; Allen & Co. and Cowen & Co., both of New York, N. Y.; and Straus, Blosser & McDowell, Chicago, Ill.

★ **Standard Oil Co. (Ohio) (1/7-11)**
Dec. 18 filed $25,000,000 of sinking fund debentures due Jan. 1, 1982. **Price**—To be supplied by amendment. **Proceeds** — For capital expenditures and working capital. **Underwriter**—F. S. Moseley & Co. of Boston and New York.

● **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. **Distributor**—Sunrise Capital Corp., 37-12 84th St., Jackson Heights 72, L. I., N. Y.

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 Fuel Corp., Clarksville, Texas (1/2-4)**
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.

Tower Acceptance Corp., Houston, Tex.
Dec. 7 filed 200,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. **Underwriter**—S. D. Fuller & Co., New York. **Offering**—Expected sometime in January.

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.

★ **United States Plywood Corp., New York**
Dec. 17 filed 23,000 shares of common stock (par $1) to be issued under the company's Employees' Stock Purchase Plan for 1957.

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.

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.

★ **Wijim Corp., Olean, N. Y.**
Dec. 14 (letter of notification) 10,000 shares of common stock to be offered to employees of F. C. Thomas, Inc. and others with whom Wijim Corp. does business. **Price**—At par ($10 per share). **Proceeds** — To acquire site and build store building. **Office**—422 East State St., Olean, N. Y. **Underwriter**—None.

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, 1966. **Price**—At face amount. **Proceeds**—To repay outstanding indebtedness to Factors Corp. of America and other indebtedness. **Office**—2829 N. Broad St., Philadelphia, Pa. **Underwriters** — Walnut Securities Corp., Philadelphia, Pa.; and B. Ray Robbins Co., New York, N. Y. **Offering**—Expected today (Dec. 20).

Wilson & Co., Inc.
Aug. 28 filed $20,000,000 of 20-year sinking fund debentures due 1976. **Price**—To be supplied by amendment. **Proceeds** — To redeem presently outstanding first mortgage bonds, to repay bank loans and for expansion program. **Business**—Meat packing firm. **Underwriters**—Smith, Barney & Co.; Glore Forgan & Co. and Hallgarten & Co., all of New York City. **Offering**—Indefinitely postponed.

Prospective Offerings

Advance Mortgage Corp., Chicago, Ill.
Dec. 4 it was reported this company (to be surviving corporation following merger of First Mortgage Corp. and Irwin Jacobs & Co. of Chicago) plans a public offering of $1,000,000 class A 6% participating convertible stock (par $1). **Underwriter**—Baker, Simonds & Co., Detroit, Mich. **Offering**—Expected in February.

American Natural Gas Co.
Dec. 10, it was announced company proposes to sell 442,114 additional shares of common stock through a rights offering to its stockholders on the basis of one new share for each 10 shares held. **Price**—To be under the market. **Proceeds**—For construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: White, Weld & Co. and Drexel & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. **Offering**—Expected early in 1957.

★ **American Telephone & Telegraph Co. (3/26)**
Dec. 19 the directors authorized a new bond issue of $250,000,000. **Proceeds** — For additions and improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Morgan Stanley & Co. **Bids** — Tentatively scheduled to be received on March 26.

Associated Truck Lines, Inc.
Oct. 11 it was announced corporation plans to issue and sell $1,000,000 of 6% convertible subordinated debentures due Oct. 1, 1971 at par and 75,000 shares of common stock (par $3) at $11 per share (the latter for the account of selling stockholders). **Proceeds**—From sale of debentures, for expansion and working capital. **Business**—A short haul motor common carrier operating over 3,300 miles or routes in Illinois, Indiana, Michigan and Ohio. **Office**—Grand Rapids, Mich. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass., and New York, N. Y. **Offering**—Indefinitely postponed.

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., Chicag,o 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.

● **Chesapeake & Ohio Ry. (12/27)**
Bids will be received by the company up to noon (EST) on Dec. 27 for the purchase from it of $4,200,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

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● Consolidated Edison Co. of New York, Inc.
Dec. 15, H. R Searing, Chairman, announced company is planning an issue of not to exceed $55,087,300 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.).

★ Daystrom, Inc., Elizabeth, N. J.
Dec. 18, Thomas Roy Jones, President, announced that the company plans a public offering early next year of about $8,000,000 convertible subordinate debentures. **Proceeds**—For expansion program and working capital. **Underwriters**—Goldman, Sachs & Co. and R. W. Pressprich & Co., both of New York.

● Douglas Aircraft Co. (2/4-8)
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.) planned 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. Proposed registration has been cancelled.

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) on the basis of one new share for each 15 shares held on or about March 11; rights to expire on March 29. Merrill Lynch, Pierce, Fenner & Beane acted as clearing agent in previous offering to stockholders.

General Tire & Rubber Co.
Dec. 4, M. G. O'Neil, Executive Assistant to the President, said the management was working on a plan to revamp the capital structure and that the company would like to come up with one issue of preferred stock. He added that close to $18,000,000 will be put into capital investments during the fiscal year to end Nov. 30, 1957.

★ Hamilton Paper Co. (1/15)
Dec. 17 it was reported company plans early registration of 108,160 shares of common stock (par $5), which are intended for offering to common stockholders of record about Jan. 15, 1957 at the rate of one new share for each two shares held (with a 14-day standby). **Price**—To be named later. **Proceeds**—For expansion and working capital. **Underwriter** — Stroud & Co., Inc., Philadelphia, Pa.

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.

● Hubshman Factors Corp., New York
Dec. 10 it was reported company plans to issue and sell 200,000 shares of common stock. **Price**—Expected to be around $6.80 per share. **Underwriter**—H. M. Byllesby & Co. Inc., New York and Chicago. **Offering**—Expected in February.

★ Illinois Power Co. (1/8-9)
Dec. 17 it was announced that company plans to issue and sell 200,000 additional shares of its common stock. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane, both of New York. **Registration**—Expected today (Dec. 20).

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.

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.

★ Macy (R. H.) & Co., Inc.
Dec 19 it was announced company plans to offer up to $12,377,000 of convertible debentures to its common stockholders on the basis of $100 of debentures for each 14 shares of stock held. Stockholders on Jan. 30 will vote on authorizing an issue of $25,000,000 of the debentures. **Price**—To be named later. **Proceeds**—For working capital and expansion program. **Underwriters**—Lehman Brothers and Goldman, Sachs & Co., both of New York.

Metropolitan Edison Co.
Sept. 12 it was announced that company is considering the sale of $22,000,000 first mortgage bonds in the next 16 months. **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 May, 1957.

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, series G, to mature in 15 equal annual instalments. 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, 1956, it was announced company 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 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, 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.

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.

Pacific Gas & Electric Co. (1/22)
Dec. 5, the company announced it has tentative plans to issue and sell $35,000,000 of first and refunding mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. **Bids**—To be received on Jan. 22.

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.
Dec. 17, K. S. Adams, Chairman of the Board, announced that the company plans to issue and sell about $171,000,000 of convertible subordinated debentures to stockholders on the basis of $100 of debentures for each 20 shares of common stock held. **Price**—To be named later. **Proceeds**—To repay about $86,000,000 of short-term bank loans and for other corporate purposes. **Underwriter**—The First Boston Corp., New York. **Offering**—Expected in February.

Pittsburgh & Lake Erie RR. (1/24)
Bids are expected to be received by this company on Jan. 24 for the purchase from it of $6,720,000 equipment trust certificates to be dated Feb. 15, 1957 and to mature in 15 equal annual instalments to and including Feb. 15, 1972. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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 Oklahoma (2/4)
Dec. 10 it was reported company plans to issue and sell about $12,000,000 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.; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Equitable Securities Corp.; White, Weld & Co. and Shields & Co. jointly); Glore, Forgan & Co.; Salomon Bros. & Hutzler. **Bids**—Tentatively scheduled for Feb. 4.

● 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 Feb. 25, 1957. **Dealer-Manager**—Eastman Dillon, Union Securities & Co., New York. **Exchange Agent** — The Chase Manhattan Bank, 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.

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 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 $5,540,000 equipment trust certificates, series UU, to mature in 20 equal semi-annual installments. 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. (1/15)
Dec. 4 it was announced company plans to offer to stockholders 292,000 additional shares of common stock on or about Jan. 15 (with an oversubscription privilege) on a 1-for-14 basis; rights to expire on or about Jan. 30. Employees to be offered any unsubscribed shares. **Proceeds**—For construction program. **Underwriter**—Dillon, Read & Co., New York. **Registration**—Expected on Dec. 21.

★ Sylvania Electric Products, Inc. (1/14-18)
Dec. 13 it was reported company plans to issue and sell $25,000,000 of subordinated debentures due 1987 (with common stock purchase warrants). **Proceeds**—For expansion program. **Underwriter**—Paine, Webber, Jackson & Curtis, New York. **Registration**—Expected sometime next week.

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.
Dec. 12, Everett J. Boothby, President, announced that the company expects to raise about $8,000,000 through the sale of first mortgage bonds some time in 1957. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blair & Co. Incorporated and Baxter & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co.; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; The First Boston Corp.

West Penn Electric Co.
Dec. 5 it was reported company plans to offer to its common stockholders in March, some additional common stock. **Price** — To be named by company (sufficient to raise about $11,000,000 or $12,000,000). **Proceeds**—For construction program and to repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Carl M. Loeb, Rhoades & Co.; The First Boston Corp. and W. C. Langley & Co. (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly).

★ Western Massachusetts Companies
Dec. 17 it was reported company plans to issue and sell about $10,000,000 of first mortgage bonds in the Spring. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Lee Higginson Corp. (jointly); Blyth & Co. Inc.; Blair & Co. Incorporated; Coffin & Burr, Inc.; The First Boston Corp. and White, Weld & Co. (jointly).

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.

Winters National Bank & Trust Co. (1/15)
Dec. 3 it was announced Bank plans to offer to its stockholders on or about Jan. 15 the right to subscribe for 175,000 additional shares of capital stock on a 1-for-4 basis; rights to expire on Jan. 30. **Price**—$22 per share. **Underwriter**—Greene & Ladd and Grant Brownell & Co., both of Dayton, Ohio.

Wrigley Properties, Inc.
Dec. 6 it was announced this company, a newly formed subsidiary of ACF-Wrigley Stores, Inc., plans to offer its shares of capital stock for subscription by the latter's stock, debenture and option holders, the offering to stockholders to be on the basis of one share of Properties stock for each two shares of ACF-Wrigley. **Proceeds**—To develop locations principally for use by the parent company, which may include individual locations, warehouse sites and shopping centers. **Underwriter**—Allen & Co., New York. **Registration**—Expected shortly.

Our Reporter's Report

Recurring backing away of the Treasury bond market has been anything but a tonic for the investment market generally, it is observed in Wall Street quarters. It is not that the volume of offerings has been large.

Rather, among those who have been endeavoring to trace such orders to their source, and without much success, it is contended that the volume is small with the effect exaggerated by other conditions.

Among other things it is pointed out that major institutional investors have closed shop for the balance of the year. They are not in the market except where they can buy and arrange for delivery after the turn of the year.

In the case of governments this phase does not enter into the situation for the reason that prospective buyers know that governments are available to them at any time.

The upsetting factor in the government market at the moment is the natural unwillingness of dealers to build inventory in present circumstances. And, it is not surprising that there should be recurrent conjecture relative to the possibility of another boost in the rediscount rate.

The Federal Reserve, in recent weeks, has been putting money into the market against the year-end needs of holiday shoppers, etc. Presumably it will now stand aside and wait to see how much of such credit flows back to the banks once the holidays are out of the way.

Affects Corporates

While the setback in Treasury's which has brought new lows for current issues in many instances, is regarded as more the result of lowering of dealer bids than any real rush to sell, it has made itself felt in the corporate new issue market.

It has combined with the virtual withdrawal of large-scale investment outlets, until after the turn of the year, to virtually halt the distribution of new corporate debt issues.

Dealers complain that prospective buyers, when approached, point to the behavior of the government list and observe that there "is no need for haste."

Build-Up of Calendar

The calendar of future financing continues to build up substantially against the early part of the new year. Latest to join the ranks is Phillips Petroleum Co. which has revealed plans for the sale of approximately $171 million of convertible debentures to be offered first on "rights" to share holders.

About half the proceeds would be used to pay off existing bank indebtedness and the balance for other corporate purposes. The company sold $162 million of convertibles, in May, 1953, with a 3.7% coupon, the bulk of these having since been converted into stock.

Armco Steel Corp. is set to offer about 1.1 million shares of new common to its stockholders, it disclosed in a registration statement filed this week with SEC.

One of the first major financing operations to reach market in 1957, that is, if nothing happens to cause postponement, is Aluminum Co. of America's projected $125 million of new debentures.

Sale of this issue would provide part of the funds needed by Alcoa against its projected capital outlay of $600 million over the next three years.

MERRY CHRISTMAS!

With H. Hentz Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Paul J. Greenberg has become affiliated with H. Hentz & Co., 9680 Santa Monica Boulevard. He was previously with Hemphill, Noyes & Co.

Securities Salesman's Corner

By JOHN DUTTON

What policy should an unlisted firm pursue when it executes orders in listed securities for clients? Should an additional commission be charged in addition to the regular stock exchange commissions? Should it be handled without extra compensation from their clients, thereby incurring a loss to them in handling charges, etc.? What should be the salesman's guide in handling this business so that he can best serve his client and retain his goodwill?

Your Competition Gives One Answer

If an unlisted firm is competing in an area where there are a large number of member firms that are also vying for the available business of their clients, it is often better policy in the long run to make no extra charge when executing a stock exchange order. I would say, however, that this should apply when you are doing an overall investment job for clients who are interested primarily in building a list of good securities, both listed and unlisted, as well as Mutual Funds. In such cases the profit obtained from the sale of unlisted items can be charged with the loss involved in handling the listed business and the net result should be figured for each account.

In this connection, those accounts which are **primarily** interested in trading in listed stocks should not be encouraged to do so with an unlisted firm. If a client is more interested in acquiring listed securities and only occasionally places an order for a new issue or an isolated unlisted security; if the salesman explains the situation frankly, he can usually retain the unlisted business and his client will be better served by having a direct connection for his listed business with a member firm. An intelligent investor will appreciate a salesman's position when he is told that for certain listed transactions he can be better served by a member firm, providing he is also informed that when it comes to special situations, offerings of attractive new issues, tax free bonds, Mutual Funds, or whatever the case may be, that there will be times when he can do better with the unlisted firm.

There are many investors who do business with several firms. They realize the value of having connections with both listed and unlisted investment firms. "Shoemaker stick to your last" is often a good policy for a salesman to follow if you have some of these accounts.

Special Cases

There is also the smaller account that is handled by many unlisted firms where the investor may own from 10 to 50 individual stocks, bonds and Mutual Funds. The objective is long-term investment, reasonable income, protection of capital, and growth. Such an account requires service. There are conferences with salesmen. There is a review and check-up periodically. Included in the portfolio is a necessarily substantial number of listed securities. In many respects the advice and counsel involved in handling such an account is definitely a costly item. In these cases it is often desirable that the client be charged a service fee or an additional commission on the listed securities handled. If a proper understanding is established between the salesman and the investor when the account is acquired, there should be no difficulty in arranging for this additional compensation. In some cases it may consist of a service fee based upon the amount involved per transaction, or it can be based upon an extra commission charge to cover handling costs.

From the salesman's standpoint he should be certain that his client understands the reason for these extra fees, or double commissions. No extra charge on listed business should ever be made without informing the client in advance as to the amount, and the reason why it is charged. He should be told that the investment service he is receiving includes the recommendation of investments which are best suited to his own requirements, even though in doing so there will be times that these transactions will be handled without compensation and even at a loss. In order to cover the normal handling costs this charge is justified and, if he is pleased with the advice and overall handling of the account, there should be no difficulty in obtaining his cooperation.

The special cases where excellent service and investment guidance is required by an investor should be judged on an individual basis, and where an additional fee for handling listed securities is justified, it should be charged. No client will object to a reasonable extra fee on listed securities if he is receiving sound advice and is pleased with the results obtained from his account.

In summary then, the rule would apply as follows:

(a) For the average account, where there are a few isolated listed transactions, the unlisted firm should meet competition and handle the listed business without compensation, charging only the regular stock exchange commission charged them.

(b) Investors primarily interested in trading in listed securities should not be encouraged to handle their listed business through an unlisted firm. They should be kept on the customer list for the occasional attractive situation that may come along from time to time.

(c) Where a complete job of investment advisory supervision and recommendation is performed, a satisfied customer will usually be willing to pay an extra fee on listed securities to cover handling costs and show a profit. Good work is worth what is costs. Good clients will pay for good results. In these cases a service fee is indicated.

(d) Never make an extra charge without first explaining the reason why. Never allow misunderstandings to come between you and a client because you failed to explain and obtain mutual agreement on any item, whether it is an extra commission charge, fee, or other details connected with any transaction. If the **facts** justify your position then you should have no difficulty in obtaining the client's agreement.

MERRY CHRISTMAS!

Powell Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

FAYETTEVILLE, N. C.—E. T. Stafford is now with Powell and Company, 120 Anderson Street.

Now With Reynolds

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Theodore A. Frye is now connected with Reynolds & Co., 221 South Church Street. He was formerly with Courts & Co.

Mutual Funds

By ROBERT R. RICH

Mutual Fund Accumulation Plans Continue Rise in November; Record High of 17,295 Opened

For the second month in a row more than 15,000 new accumulation plans for the regular purchase of mutual fund shares were started, according to Edward B. Burr, Executive Director of the National Association of Investment Companies.

In November, investors opened a record number of 17,295 new accumulation plans, as against 15,986 in October and 11,495 in the corresponding month last year. In the first 11 months of this year, 159,689 new plans were opened, compared with 114,974 new plans for the entire year of 1955.

Reporting Dec. 14 on the Association's 135 open end member companies, Mr. Burr noted that share redemptions in November amounted to $27,536,000, compared with $31,398,000 in October. The November figure is the lowest since December 1954.

As of Nov. 30, net assets of the 135 companies amounted to $8,751,744,000, as against $8,663,290,000 in October and $7,759,865,000 a year earlier.

Investor purchases of new shares totaled $113,282,000 in November, compared with $114,926,000 the month before and $95,350,000 in November of 1955. In each of the first 11 months of 1956, investor purchases have been over $100 million, averaging between $101 million and $124 million.

Cash, U. S. Government securities and short-term obligations held by the 135 mutual funds totaled $506,024,000 at the end of November, compared with $496,183,000 at the end of October.

T. V. Shares Management Corp. Offers University Fellowships

William H. Cooley President of Television Shares Management Corporation, pioneer investment management organization in the electronic field, announced today the establishment of three fellowships at three major universities to aid graduate students striving for advanced degrees to further their teaching careers in this field. The grants totaled $6,000 for the 1957-58 academic years at Massachusetts Institute of Technology, University of Illinois, and Stanford University.

In making the awards of $2,000 each to the three institutions, Mr. Cooley said: "We are all increasingly aware of the great problem facing industry in the recruitment from our universities of qualified engineers in various fields, but more particularly in electronics. An even more pressing problem, however, is the encouragement and support of teachers to train the engineers which industry so badly needs. Further, we have noted little inducement for young men to enter the teaching profession in this vital area. It is for this purpose that the Board of Directors of Television Shares Management Corporation have established these awards to specifically promote the development of new teachers whose intentions are to major in electronics."

The decision to make the grants, Mr. Cooley added, resulted from discussions with members of the Advisory Board of Television-Electronics Fund, Inc., a mutual investment company, which Mr. Cooley's firm serves as investment manager and principal underwriter. Three of these are faculty members of the universities to which the grants were made. They are: Dr. William L. Everitt, Dean of the College of Engineering at the University of Illinois; Dr. Frederick Terman, Provost and Dean of the School of Engineering at Stanford University, and Dr. Jerome B. Wiesner, Director of the Research Laboratory of Electronics at Massachusetts Institute of Technology.

In commenting on the purpose of the grants made by the investment management concern, Dr. Everitt said: "When I started in teaching, the salaries for young instructors were competitive with the salaries in industry for new graduates. While one recognized that if one entered this field he would not have the opportunity for making as much money later in life, still the sacrifice was not so immediate as it is under present circumstances. At the same time, the need for engineering teachers is going to be very much greater in the years ahead, because we have already doubled the number of engineering students since 1951 and expect to double again in the next ten years. I feel the immediate problem . . . is to find the money to support teachers and also induce young men to become teachers. An important part of this inducement at the present time must be some way to live reasonably well or those with families will not enter the field."

Outlining the plan for use of the fellowship grant at Stanford University, Dr. Terman said the institution would invite a faculty member from one of the western engineering schools to spend a year at Stanford, "to study in the area of electronic science, to interact with our research and instruction programs, and to participate in such activities as will contribute most to his development. . . . The faculty member should return to his own school better equipped to initiate or carry on research activity, and stimulated to make course modifications or additions incorporating the results of the recent scholarship and research. As a result of his experience it might be anticipated that he would exert an influence toward encouraging promising students to go on to further graduate study and toward improving the preparation of those who do so."

Dr. Wiesner praised the decision of Television Shares Management Corporation in establishing the fellowship grants and stated: "You have pinpointed a very serious problem. It is extremely difficult to maintain the kind of faculty we would like in the face of two and sometimes four-to-one salary advantages that most of the people we would like to keep could find in industry."

The amount of the fellowship in each case, Mr. Cooley pointed out, is not expected to cover living expenses of the participating graduate student or teacher, but to compensate to some extent the difference between income received from other sources and what he could earn in private industry. "The paramount consideration behind these grants," he said, "was to emphasize not only the problem which exists but also the responsibility which we feel industry has toward maintaining teaching standards in our engineering schools at their highest level. The competition for talent which industry itself has created at the same time imposes an obligation to nourish the tap-roots from which this talent flows."

Philadelphia Fund has concentrated its purchases throughout the irregular markets of recent months in selected common stocks with particular emphasis on steel and aviation shares and several specialties, according to an interim report made public by Roy R. Coffin, President.

As a result aircraft holdings had increased to 9.7% of the fund's record asset total of $4,850,000 on Dec. 1, 1956, and constitute its largest single commitment by industries. This compares with an aircraft industry investment of 6.25% of the $4,061,000 in assets on Jan. 1, 1956. Steel holdings now amount to 3.7% of assets against 3.93% at the start of the year. Additional purchases of Outboard Marine Corp. make this presently the fund's largest single common stock commitment. It was the third largest 11 months ago. Next in order of size now comes Sperry-Rand, followed by Bethlehem Steel and Dow Chemical.

The fund's portfolio contains nine other common stock holdings in each of which the fund's investment was built up to a minimum of 2% of assets or more. These are Bucyrus-Erie, General Motors, Haloid, I. B. M., Phillips Petroleum, A. O. Smith, Standard Oil of N. J., United Aircraft and U. S. Steel. On Dec. 1, last, the fund was 98.3% invested with 87.3% of assets in common stocks and 11% in bonds.

Atomic Boat Program

The management of Atomic Development Mutual Fund, Inc. comments to shareholders on the atomic merchant ship program, indicating the work being done by each six companies now participating.

Emphasized is Newport News Shipbuilding and Drydock Co., now a contractor on the AEC's Large Ship Reactor project. Newport News Shipbuilding is Atomic Fund's largest investment and the fund expects the company to be a major participant in both nuclear and conventional ship construction over the next few years for both the Navy and commercial shippers, particularly oil companies.

The same letter discusses the recent increases in uranium concentrate contracts by the Canadian Government which brings the total to over $1.5 billion. The fund's management predicts further increases will be made in Canadian uranium contracts.

Dividend Shares Reports Assets of $204.6 Million

The market value of the net assets of Dividend Shares rose to $204,637,055 on Oct. 31, 1956, a new high for any fiscal year-end, according to a statement in the annual report by Hugh Bullock, president. This is an increase of $16,088,240 over the last fiscal year-end, the previous high, and is due to an increase in shares outstanding as well as to an increase in the market value of securities owned.

On a share basis, the value of Dividend Shares increased moderately from $2.54 at the beginning of the fiscal year to $2.63 on Oct. 31, 1956. A distribution of 10 cents per share was made from net securities profits during the period and adjusted for this distribution, the net asset value at the year-end was $2.73 per share, a gain of 7.5%.

Dividends from net investment income for 1956 were 9 cents per share, a 7% rise over dividends paid in 1955. In addition to the four quarterly dividend payments, Dividend Shares distributed 10 cents per share from net securities profits. This distribution was 16% higher than the comparable distribution a year earlier and was payable in shares or cast at the stockholder's option. Since incorporation, the company has paid dividends from net income of more than $64,000,000 and made distributions from net securities profits annually for 23 consecutive years.

Dividend Shares continued during the year to maintain a substantial investment in common stocks, which as of Oct. 31, 1956, amounted to 86.4% of assets. At the end of the fiscal year, the fund had approximately 80,000 stockholders living in every state and territory of the United States and in many foreign countries. About 6,000 new stockholders were added to the lists during the year.

Axe-Houghton Fund B reported increases of 31% in total net assets and 70% in the number of shareholders during the 1955-1956 fiscal year, which ended Oct. 31. The assets rose from $49,015,396 to $64,348,031 and the fund's shareholders from 20,345 to 34,626.

The year-end report also showed increases in the net asset value of the fund's shares and the number of shares outstanding as well as a record total dividend and distribution payment to shareholders. In a message accompanying the report, Emerson W. Axe, fund President, foresaw no immediate danger of a severe or protracted business decline. He found favorable and unfavorable factors in the general business and financial situation "rather evenly balanced."

According to the report, the net asset value of 8,116,449 shares outstanding on Oct. 31, 1956, was $7.93 a share as compared with 6,189,546 shares having a net asset value of $7.92 a share at the end of the 1954-55 period.

In the year just ended, shareholders received 71 cents a share from the fund, including 46 cents in distributions from net profits and 25 cents in dividends from income. The previous year's total was 56.3 cents a share, of which 30 cents represented distributions from net profits and 26.3 cents dividends from income.

The amounts paid to shareholders in 1955-56 were $3,421,179 from net profits and $1,787,005 from income—as against $1,789,337 from net profits and $1,471,396 from income during 1954-55.

Broad Street Sales In November at 28-Month Peak

Net sales of shares of Broad Street Investing Corporation in November were the highest in 28 months, it was reported by Broad Street Sales Corporation, general distributor for the 27-year-old diversified mutual fund.

Proceeds from gross sales of 61,100 shares during the month totaled $1,380,539. Only 6,855 shares were redeemed in the 30-day period, reducing proceeds slightly to a net increase of $1,225,062 for the income fund.

Highest previous net sales figure for Broad Street Investing was the $1,307,216 of July 1954.

The fund had net assets at November 30 of $93,666,000.

Personal Progress

Dr. Paul W. McCracken, a director of Group Securities, Inc., leading mutual fund, has been appointed to the staff of President Eisenhower's Council of Economic Advisors.

Dr. McCracken, who is a professor at the Graduate School of Business Administration at the University of Michigan, has also served as consultant to various corporations.

Walter J. Boyd, C. P. A., has been elected to the board of directors of Group Securities, Inc., $100,000,000 mutual fund.

Mr. Boyd, who will continue his duties as Vice-President and Treasurer of Group Securities, was formerly a general partner with the public accounting firm of O. F. Taylor & Co., New York City.

Joins E. N. Siegler

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — George Mitoff has joined the staff of Edward N. Siegler & Co., Union Commerce Building, members of the Midwest Stock Exchange.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Selvyn Levinson is now affiliated with Bache & Co., 445 North Roxbury Drive. He was formerly with Daniel D. Weston & Co., Inc.

Sutro & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—John G. Morris is now connected with Sutro & Co., 275 North Canon Drive. He was previously with Morton Seidel & Co.

Now With Boren & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Abe Merson has been added to the staff of Boren & Co., 9640 Santa Monica Boulevard.

Joins Smith La Hue

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn.—Paul L. Lindahl is now connected with Smith, La Hue & Co., Pioneer Building.

Joins Henry Kutner

(Special to THE FINANCIAL CHRONICLE)

GLENDALE, Calif. — Earl S. Robinson has been added to the staff of Henry Kutner & Co., 3431 Sierra Vista Avenue.

R. J. Steichen Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — John T. Pratt is now affiliated with R. J. Steichen & Co., Roanoke Bldg.

With Chicago Mutual

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Ronald S. Lee is now with Chicago Mutual Investment Co., 8157 Cottage Grove Avenue.

Business Man's Bookshelf

American Bankers Association: Its Past and Present—Wilbert M. Schneider — Public Affairs Press, 419 New Jersey Avenue, S. E., Washington 3, D. C.—$5.

American Employers and the International Labor Organization — Commerce and Industry Association of New York Inc., 99 Church Street, New York 7, N. Y.

Equipment Replacement and Depreciation — Policies and Practices in the Capital Goods Industries — survey — Machinery and Allied Products Institute, 1200 Eighteenth Street, N. W., Washington 6, D. C. (paper) $1.

ICC Safety Requirements—Booklet — Commerce and Industry Association of New York, Inc., Transportation Division, 99 Church Street, New York 7, N. Y.—15 cents.

Involuntary Participation in Unionism—Philip D. Bradley—American Enterprise Association, Inc., 1012 Fourteenth St., N. W., Washington 5, D. C. (paper) $1.

National Income Visualized — Arthur O. Dahlberg—Columbia University Press, New York 27, N. Y.—$3.50.

New Simplified Payroll Tax Withholding Tables showing F. I. C. Tax and Income Tax Withholding combined and Income Tax Withholding only, effective Jan. 1, 1957—Journal of Taxation, Inc., 147 East 50th Street, New York 22, N. Y. (ring binder) $2.95 per set.

Payroll Withholding Tables — Combined tables, daily, weekly, bi-weekly, semi-monthly, monthly, and miscellaneous pay periods — Journal of Taxation, Inc., 147 East 50th Street, New York 22, N. Y.—$2.95.

Pioneer Atlas of the American West — incorporating facsimile reproduction of maps of the west first carried in Rand McNally's "'Business Atlas of 1876" with contemporary illustrations and detailed historical text—Rand McNally & Company, P. O. Box 7600, Chicago 80, Ill. —$25.

Profit Sharing, the Capitalistic Challenge — J. J. Jehring — Profit Sharing Research Foundation, 1718 Sherman Avenue, Evanston, Ill.—$1.

Regulations Concerning Dealings in Gold and Foreign Exchange in France — 17th supplement — Bank for International Settlement—Basle, Switzerland.

Trends in Corporate Investment and Finance: A Flow-of-Funds Analysis — Bureau of Business and Economic Research, University of Maryland, College Park, Md. (paper).

World Trade Fairs—List of 180 to be held in 1957—Trade Development Division, United States Department of Commerce, Bureau of Foreign Commerce, Washington 25, D. C.

Work, Workers and Work Measurement—Adam Abruzzi—Columbia University Press, 2960 Broadway, New York 27, N. Y. —$7.50.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Richard L. Goldman has become connected with Bache & Co., Dixie Terminal Building.

With Harry Pon

(Special to THE FINANCIAL CHRONICLE)

AZUSA, Calif.—John H. Matthews has been added to the staff of Harry Pon, 711 North Azusa Avenue.

Continued from page 8

Dealer-Broker Investment Recommendations & Literature

Marmon Herrington Co. — Memorandum — Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Morrison-Knudsen Company, Inc.—Bulletin—DeWitt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a bulletin on **Thrifty Drug Stores Co. Inc.** and **American Laundry Machinery Company.**

Murray Company of Texas — Circular — May & Gannon, 140 Federal Street, Boston 10, Mass.

Pittsburgh & Lake Erie Railroad — Memorandum — Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

Pullman Inc.—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a review of **Best Foods, Commercial Credit, International Shoe, Marshall Field,** and **United Fruit.**

Radiation, Inc.—Bulletin—Johnson, Lane, Space & Company, Inc., Citizens & Southern National Bank Building, Atlanta 3, Ga.

Robertshaw Fulton—Review—Hardy & Co, 30 Broad Street, New York 4, N. Y. Also in the same issue is a comparison of securities based on price-earnings' ratios.

H. H. Robertson Inc.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Shulton, Inc. — Analysis — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

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

Standard Electrical Products Co.—Memorandum—S. D. Fuller & Co., 39 Broadway, New York 6, N. Y.

Tennessee Gas Transmission Company — Report — Eppler, Guerin & Turner, Inc., Fidelity Building, Dallas 1, Texas.

H. I. Thompson Fiber Glass Co.—Report—North's News Letter, 414 Mason Street, San Francisco 2, Calif.

United American Investment Co.—Memorandum—Silcox & Johnson, 8 State Street, Charleston, S. C.

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

Western Tool & Stamping Co.—Memorandum—Blunt Ellis & Simmons, 208 South La Salle Street, Chicago 4, Ill.

Public Utility Securities

By OWEN ELY

Boston Edison Company

Boston Edison has had a 70-year history and an uninterrupted dividend record of 66 years. The company furnishes electricity to 40 cities and towns in the Metropolitan Boston area, wholesales electricity to a few municipalities, and sells steam in the downtown Boston area. Residential and commercial sales contribute about two-thirds of electric revenues, with only 14% furnished by industrial business, indicating the stable character of operations.

Metropolitan Boston in the last two years has been enjoying a revival in industrial development, and in the expansion of new industry such as electronics and plastics. Greater Boston is becoming a world center for research. Opening of the circumferential highway (Route 128) a few years ago has brought in many new plants, including such companies as American Can, Pepsi-Cola, Sylvania Electric, etc. Great expressways are being built through the heart of the city to speed traffic; now when a plane from New York puts down at Logan Airport, a passenger can reach the business district in 15 minutes — a convenience shared by scarcely any other major city in the country. Business men's seminars are being conducted by Boston College to discuss important area problems. Slums are being torn down and replaced with modern buildings. Boston Edison itself plans to spend $160 million for expansion over the next five years.

Despite the general feeling that there is little growth in New England, in the four years 1952-56 residential revenues increased one-third, and industrial and commercial are up 28%. Industrial revenues are well diversified with metal products contributing about 17%; food, 13%; electronics, 11%; paper and printing, 11%; rubber, 11%; and textiles only 6%, with a number of other industries listed at 2 to 4%. Electronics, while relatively new in the area, already ranks third, replacing rubber which has dropped to fifth position in the industry list.

The company's residential rates are somewhat higher than the national average (3.80¢ per kwh in 1955) because of higher fuel costs in the New England area and also because of low average domestic consumption (1,985 kwh) due to the large number of small apartments, etc. In 1955, the company earned only 5.2% on invested capital which is about in line wtih earlier years since 1949.

Generating capability of the company's plants aggregated 936,800 kw at the 1955 year-end, compared with a peak load of 824,465 kw, reflecting a reserve margin of 14%. The company has developed its generating capability proportionately to peak demands, including firm obligations to other utilities. While formerly new units were 90,000 kw, the unit size has now been increased to 140,000 kw. A unit of the latter size will be completed at Mystic Station in 1957, another in 1959 and a third in 1961. The large new units installed in the postwar period have increased efficiency. In 1930 and again in 1938 Btu per kwh approached 17,000—a high figure. This was reduced to about 14,000 in 1946 and to about 12,000 currently, and it is expected to drop to 11,000 by 1960. Individual new units are better than 10,000.

In the postwar period the company has made steady progress in substituting alternating current for direct current in downtown Boston. The direct current peak in 1956 will be approximately 50% less than in 1946. The increasing use of alternating current and equipment, and the gradual replacement of older buildings, are expected to accelerate the trend. The reduction in direct current load has permitted operating savings by shutting down conversion equipment at substations.

The company estimates construction costs during the five years 1957-61 at $160 million. This will require new money financing of about $92 million, but the character of the program has not yet been determined. The company has had for years a simple capital structure consisting of mortgage bonds and common stock, but last June $18 million 4.25% preferred stock was sold.

As of April 30, pro forma for the preferred stock offering, the capital structure was approximately as follows:

	Millions	Percent
Funded Debt	$115	43%
Preferred Stock	18	7
Com. Stock Equity (2,715,522 Shs.)	131	50
	$264	100%

A Massachusetts law limits the debt ratio to 50%, which permits additional senior financing.

Boston Edison is a member of Yankee Atomic Electric Company and the Atomic Power Development Associates. The first group proposes to construct an atomic power plant in Rowe, Mass. The second group is engaged in research and development work in connection with the fast breeder type of atomic reactor.

The stock is selling around 50 and pays $2.80 to yield 5.6%. Based on the earnings of $3.40 for 1955, the price-earnings ratio is 14.3, about in line with the general average. Current earnings are not reported on a 12 month basis, but for the 9 months ended Sept. 30, earnings were $2.59, exactly the same as in the previous period. The common stock record in the postwar period is shown below:

	Revenues (Millions)	Earned	Dividends	Approximate Price Range
1955	$92	$3.40	$2.80	62 - 53
1954	86	3.12	2.80	57 - 49
1953	82	2.96	2.80	54 - 46
1952	79	3.30	2.80	52 - 46
1951	74	3.16	2.80	47 - 41
1950	69	3.13	2.80	51 - 38
1949	64	2.91	2.80	47 - 40
1948	65	2.90	2.40	43 - 36
1947	57	2.75	2.40	51 - 40
1946	50	2.53	2.20	55 - 44
1945	47	2.10	2.00	46 - 37

MERRY CHRISTMAS!

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. 23	§102.0	*102.4	100.1	96.9
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 23	§2,511,000	*2,522,000	2,463,000	2,338,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 7	7,353,200	7,132,650	7,050,000	6,922,500
Crude runs to stills—daily average (bbls.)	Dec. 7	¶7,865,000	8,114,000	7,964,000	7,618,000
Gasoline output (bbls.)	Dec. 7	27,237,000	27,043,000	26,714,000	26,546,000
Kerosene output (bbls.)	Dec. 7	2,885,000	2,386,000	2,704,000	2,437,000
Distillate fuel oil output (bbls.)	Dec. 7	13,198,000	13,779,000	12,289,000	11,863,000
Residual fuel oil output (bbls.)	Dec. 7	8,360,000	8,567,000	8,275,000	8,518,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 7	175,427,000	175,401,000	171,843,000	158,274,000
Kerosene (bbls.) at	Dec. 7	33,111,000	34,595,000	36,105,000	32,005,000
Distillate fuel oil (bbls.) at	Dec. 7	145,550,000	153,498,000	161,656,000	134,413,000
Residual fuel oil (bbls.) at	Dec. 7	43,468,000	44,389,000	47,425,000	42,767,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 8	737,757	752,150	772,761	721,518
Revenue freight received from connections (no. of cars)	Dec. 8	664,223	610,358	657,639	656,048
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 13	$528,078,000	$323,309,000	$369,852,000	$348,805,000
Private construction	Dec. 13	372,307,000	207,186,000	202,816,000	175,233,000
Public construction	Dec. 13	155,771,000	116,123,000	167,036,000	173,572,000
State and municipal	Dec. 13	122,812,000	79,848,000	116,652,000	151,411,000
Federal	Dec. 13	32,959,000	36,275,000	50,384,000	22,161,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 8	10,610,000	10,940,000	10,280,000	10,935,000
Pennsylvania anthracite (tons)	Dec. 8	609,000	659,000	672,000	595,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 8	225	196	137	235
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 15	12,220,000	12,047,000	11,589,000	11,602,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 13	249	270	240	247
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 11	5.622c	5.622c	5.622c	5.174c
Pig iron (per gross ton)	Dec. 11	$63.04	$63.04	$63.04	$59.09
Scrap steel (per gross ton)	Dec. 11	$65.17	$65.17	$61.17	$52.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 12	35.700c	35.700c	35.700c	44.075c
Export refinery at	Dec. 12	34.250c	34.725c	34.750c	45.000c
Lead (New York) at	Dec. 12	16.000c	16.000c	16.000c	15.500c
Lead (St. Louis) at	Dec. 12	15.800c	15.800c	15.800c	15.300c
‡Zinc (delivered) at	Dec. 12	13.500c	13.500c	13.500c	13.000c
Zinc (East St. Louis) at	Dec. 12	14.000c	14.000c	14.000c	13.500c
Aluminum (primary pig. 99%) at	Dec. 12	25.000c	25.000c	25.000c	Not Avail.
Straits tin (New York) at	Dec. 12	104.250c	108.250c	109.000c	109.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 18	87.81	89.63	90.62	95.19
Average corporate	Dec. 18	96.07	96.54	97.62	106.74
Aaa	Dec. 18	99.84	100.49	100.98	109.79
Aa	Dec. 18	98.09	98.73	99.84	108.70
A	Dec. 18	96.23	96.54	97.62	106.74
Baa	Dec. 18	90.48	90.91	92.64	101.97
Railroad Group	Dec. 18	94.86	94.86	95.77	105.00
Public Utilities Group	Dec. 18	97.16	97.31	98.25	107.09
Industrials Group	Dec. 18	96.38	97.47	99.20	108.16
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 18	3.52	3.35	3.27	2.87
Average corporate	Dec. 18	4.00	3.97	3.90	3.35
Aaa	Dec. 18	3.76	3.72	3.69	3.18
Aa	Dec. 11	3.87	3.83	3.76	3.24
A	Dec. 18	3.99	3.97	3.90	3.35
Baa	Dec. 18	4.38	4.25	4.23	3.63
Railroad Group	Dec. 18	4.08	4.08	4.02	3.45
Public Utilities Group	Dec. 18	3.93	3.92	3.86	3.33
Industrials Group	Dec. 18	3.98	3.91	3.80	3.27
MOODY'S COMMODITY INDEX	Dec. 18	440.0	439.6	423.5	406.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 8	327,486	287,435	276,848	264,700
Production (tons)	Dec. 8	275,418	252,372	283,400	285,519
Percentage of activity	Dec. 8	95	86	95	102
Unfilled orders (tons) at end of period	Dec. 8	451,288	407,812	477,567	638,940
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Dec. 14	109.62	109.56	109.53	107.14
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. 24	1,119,047	1,011,611	1,070,761	868,377
Dollar value	Nov. 24	$58,844,058	$53,691,886	$57,051,834	$49,353,310
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 24	825,727	759,690	743,808	769,032
Customers' short sales	Nov. 24	11,372	7,084	5,457	5,971
Customers' other sales	Nov. 24	814,355	752,606	738,351	763,061
Dollar value	Nov. 24	$42,504,110	$37,982,944	$35,997,678	$39,344,687
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 24	181,420	177,750	184,060	214,760
Short sales	Nov. 24				
Other sales	Nov. 24	181,420	177,750	184,060	214,760
Round-lot purchases by dealers—					
Number of shares	Nov. 24	466,070	438,280	484,510	320,110
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. 24	517,230	588,330	344,670	375,550
Other sales	Nov. 24	9,522,850	9,944,750	7,875,980	9,749,740
Total sales	Nov. 24	10,040,080	10,533,080	8,220,650	10,125,290
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 24	1,276,540	1,471,320	1,028,650	1,157,490
Short sales	Nov. 24	272,520	332,930	189,040	188,990
Other sales	Nov. 24	969,040	1,100,100	840,750	1,037,560
Total sales	Nov. 24	1,241,560	1,433,030	1,029,790	1,226,550
Other transactions initiated on the floor—					
Total purchases	Nov. 24	243,990	301,440	175,090	238,870
Short sales	Nov. 24	20,600	33,000	25,930	14,420
Other sales	Nov. 24	207,370	277,040	241,960	250,490
Total sales	Nov. 24	227,970	310,040	267,890	264,910
Other transactions initiated off the floor—					
Total purchases	Nov. 24	362,960	437,360	342,271	411,745
Short sales	Nov. 24	69,100	86,080	63,630	72,040
Other sales	Nov. 24	413,258	546,779	406,546	441,025
Total sales	Nov. 24	482,358	632,859	470,176	513,065
Total round-lot transactions for account of members—					
Total purchases	Nov. 24	1,883,490	2,210,120	1,546,011	1,808,105
Short sales	Nov. 24	362,220	452,010	278,600	275,450
Other sales	Nov. 24	1,589,668	1,923,919	1,489,256	1,729,075
Total sales	Nov. 24	1,951,888	2,375,929	1,767,856	2,004,525
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Dec. 11	116.2	*116.0	115.4	111.1
Farm products	Dec. 11	88.5	*86.8	87.9	83.3
Processed foods	Dec. 11	103.1	*103.2	102.6	98.0
Meats	Dec. 11	79.3	78.7	80.8	71.9
All commodities other than farm and foods	Dec. 11	124.6	*124.5	123.6	119.5

*Revised figure. ¶Includes 828,000 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
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of November (in millions):			
Total new construction	$3,806	$4,126	$3,702
Private construction	2,650	2,751	2,663
Residential building (nonfarm)	1,297	1,350	1,419
New dwelling units	1,135	1,175	1,280
Additions and alterations	120	134	107
Nonhousekeeping	42	41	32
Nonresidential building (nonfarm)	794	793	715
Industrial	271	274	224
Commercial	288	287	297
Office buildings and warehouses	131	130	112
Stores, restaurants, garages	157	157	185
Other nonresidential building	235	232	194
Religious	75	76	60
Educational	48	49	45
Hospital and institutional	31	31	23
Social and recreational	27	27	21
Miscellaneous	54	49	33
Farm construction	103	122	111
Public utility	415	474	407
Railroad	36	41	35
Telephone and telegraph	80	85	74
Other public utility	329	348	298
All other private	11	12	11
Public construction	1,156	1,375	1,039
Residential building	25	25	21
Nonresidential building	341	371	321
Industrial	37	41	38
Educational	216	227	200
Hospital and institutional	25	30	25
Other nonresidential building	63	73	58
Military facilities	134	143	116
Highway	430	585	405
Sewer and water	112	122	89
Public service enterprises	38	44	25
Conservation and development	60	66	43
All other public	16	19	13
COTTON GINNING (DEPT. OF COMMERCE)—			
As of Dec. 1 (running bales)	12,385,333	------	13,049,331
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—1955 crop as of Dec. 1:			
Production 500-lb. gross bales	13,303,000	13,153,000	14,542,000
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of November:			
Industrials (125)	4.05	4.03	3.96
Railroads (25)	6.02	5.83	4.97
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.86	4.81	4.55
Banks (15)	4.37	4.23	4.09
Insurance (10)	3.30	3.22	2.63
Average (199)	4.25	4.23	4.09
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of September (in billions):			
Total personal income	$328.5	*$328.1	$311.6
Wage and salary, receipts, total	227.7	227.1	214.7
Commodity producing industries	98.5	98.3	92.8
Distributing industries	60.3	60.3	56.9
Service industries	30.8	30.6	28.7
Government	38.1	37.9	36.3
Less employees' contribution for special insurance	5.9	5.9	5.3
Other labor income	7.3	7.3	7.2
Proprietors and rental income	50.7	51.0	49.4
Personal interest income and dividends	30.0	*29.8	27.6
Total transfer payments	18.7	18.8	17.4
Total nonagricultural income	313.4	*312.8	295.9
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE — 1910-1914 = 100—As of Oct. 15:			
All farm products	234	236	229
Crops	232	234	222
Commercial vegetables, fresh	203	178	208
Cotton	270	275	278
Feed, grains and hay	178	196	167
Food grains	225	222	220
Fruit	232	253	189
Oil-bearing crops	249	234	227
Potatoes	141	161	127
Tobacco	453	455	413
Livestock	236	238	235
Dairy products	272	264	264
Meat animals	254	254	239
Poultry and eggs	167	172	195
Wool	238	231	225
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of September:			
Net railway operating income	$97,428,272	$103,590,532	$103,691,860
Other income	19,793,034	22,287,717	17,557,195
Total income	117,221,306	125,878,249	121,249,055
Miscellaneous deductions from income	4,127,042	4,239,805	4,581,518
Income available for fixed charges	113,094,264	121,638,444	116,667,537
Income after fixed charges	82,159,651	90,948,940	86,199,484
Other deductions	4,544,177	4,242,500	6,608,100
Net income	77,615,474	86,706,440	79,591,384
Depreciation (way & structure & equipment)	46,967,258	46,877,304	44,078,439
Federal income taxes	39,117,480	40,928,945	44,603,336
Dividend appropriations:			
On common stock	21,314,262	27,513,948	17,286,295
On preferred stock	1,413,130	4,298,168	1,036,543
Ratio of income to fixed charges	3.66	3.96	3.83
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS—Month of Sept. (000's omitted):			
Exports	$1,518,000	*$1,516,800	$1,255,700
Imports	992,000	1,049,100	946,100
U. S. GOVT. STATUTORY DEBT LIMITATION —As of Nov. 30 (000's omitted):			
Total face amount that may be outstanding at any time	$278,000,000	$278,000,000	$281,000,000
Outstanding—			
Total gross public debt	277,016,953	275,282,774	280,136,379
Guaranteed obligations not owned by the Treasury	93,828	89,397	53,011
Total gross public debt and guaranteed obligations	$277,110,781	$275,372,172	$280,189,391
Deduct—other outstanding public debt obligations not subject to debt limitation	458,995	457,604	476,425
Grand total outstanding	$276,654,785	$274,914,567	$279,712,965
Balance face amount of obligations, issuable under above authority	1,345,215	3,085,432	1,287,034
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Nov. 30	$277,110,781	$275,372,172	$280,189,391
General funds balances	5,777,774	4,704,070	5,118,945
Net debt	$271,333,007	$270,668,102	$275,070,446
Computed annual rate	2.642%	2.630%	2.425%

Corporate Annual Reports

By ROGER W. BABSON

Nationally known investment adviser recommends careful reading of annual corporate reports, after noting some "reports were unconsciously misleading," and that there are marked differences in treatment of depreciation write-offs. For a quick appraisal, Mr. Babson guides himself by a preference for price range of 10-to-20 times earnings.

During my summer vacation at Gloucester, Mass., I read about 40 1955 annual reports of corporations listed on the New York Exchange.

Roger W. Babson

I was especially pleased with some of these because they had been made very interesting, illustrated by attractive pictures and charts. I assume that these latter have been prepared by professional advertising agencies and public relations men. I am very pleased to see so many of them with the date of the year in large type in the upper right-hand corner on the outside cover.

Relation of Price to Net Earnings

The common "quickie rule" for brokers to use in looking at annual reports is to study the relation of price to net earnings. When the price is 30 to 40 times earnings, it is usually a sign that the price is too high; while if the price is only five times net earnings after fair depreciation and taxes, it is looked upon as attractive. I like to keep within the range of 10-to-20 times earnings.

Mixed-up Figures

Some of the reports were unconsciously misleading. For instance, some would include the sale of land or securities with the gross income, which, of course, should not have been done. Furthermore, depreciation or "write-off" has been handled differently by different companies. This depreciation figure is very important to study for two reasons: *First*, heavy depreciation can reduce the net earnings to less than they really are; while small depreciation can indicate the reverse if not honestly treated. *Second*, under ordinary circumstances the Government allows an average of about 5% on depreciation, but on special military work 25% is sometimes allowed.

Oil companies have the largest write-offs. My two favorites are Continental Oil and Phillips Petroleum. Standard Oil of California also rates well, with over 10% write-offs each year. The chemical companies also have a good record for write-offs, leading with Dow Chemical at 13% and Monsanto Chemical at nearly 9%. Union Carbide also has a 9% write-off.

Steel Manufacturers and Mining Companies

Upon studying the annual reports of the six leading steel companies, it was evident that U. S. Steel led with a write-off of 7%, although National Steel followed closely with 6.5%. The lowest in my list was Inland Steel, which showed only 3.3%. On a replacement basis, probably U. S. Steel would amount to $200 to $300 a share while today it is selling at $72. Bethlehem Steel, its nearest competitor, writes off less than 5%.

Other reports were on aluminum and nickel companies, together with the three leading copper companies, namely. Anaconda Company, Kennecott Copper, and Phelps Dodge. The aluminum companies—encouraged by special government concessions — lead, with write-offs of over 7%. Anaconda, however, leads the copper companies with a write-off of about 4%. International Nickel has a good write-off, too.

Miscellaneous companies — the write-offs ranged from about 15% for International Business Machines down to less than 2% for several of the companies. One of my favorite stocks, Westinghouse Electric, has a write-off of 3%. The smallest write-offs are in retail trade companies, due largely to the fact that they lease most of their stores. F. W. Woolworth has the largest write-off of 2%, while both Sears, Roebuck and Montgomery Ward write off only a fraction of 1%. Caterpillar Tractor, Corning Glass, and Eastman Kodak have good write-offs of from 3½% to 4½%. General Electric writes off less than 3% and General Motors less than 2½%. General Foods writes off less than 1%. In giving these figures I do not mean that these are the best stocks to buy, as there are many important things to consider besides annual reports figures. I do however, urge the reading of each annual report received.

FINANCIAL NOTICE

Notice to holders of

ARMOUR AND COMPANY STOCK PURCHASE WARRANTS

The Board of Directors at its meeting December 6, 1956, declared a 10% stock dividend payable on February 8, 1957, to stockholders of record January 2, 1957.

The warrant states that no dividend shall be payable or accrue with respect to the warrant; further, the warrant does not provide for any adjustment of rights in the case of a stock dividend. Holders of warrants may exercise their rights to purchase Common stock on or before December 31, 1956, in order to become stockholders of record January 2, 1957, the record date for the stock dividend.

The price of $12.50 per share at which holders are entitled to purchase Common stock increases to $15.00 per share after December 31, 1956, and remains at that figure through December 31, 1959.

A current prospectus on the Common stock may be obtained from one of the following:

Armour and Company, 316 S. La Salle Street, Chicago, Ill.
Armour and Company, 120 Broadway, New York, N. Y.
Continental Illinois National Bank and Trust Company of Chicago, Chicago, Ill.
or
The Chase Manhattan Bank, New York, N. Y.

ARMOUR AND COMPANY

December 10, 1956 John Schmidt, *Secretary*

Joins Gerard Jobin

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Walter A. Evers has joined the staff of Gerard R. Jobin Investments Ltd., 242 Beach Dr. North.

With Thomson McKinnon

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Sydney P. Craig is now with Thomson & McKinnon, 340 Central Avenue.

DIVIDEND NOTICES

CITY INVESTING COMPANY

25 BROAD ST., NEW YORK 4, N. Y.

The Board of Directors of this company on December 19, 1956, declared a dividend of 20 cents per share on the outstanding Common Stock of the company payable February 4, 1957, to stockholders of record at the close of business on January 10, 1957.

JOHN A. KENNEDY
Vice President & Secretary

GENERAL REALTY & UTILITIES CORPORATION

DIVIDENDS ON CAPITAL SHARES

The Board of Directors has declared a quarter-annual dividend of 20 cents per share on the Capital Shares of the Corporation, payable January 3, 1957, to stockholders of record at the close of business December 20, 1956, plus a 5% stock dividend payable February 1, 1957 to stockholders of record at the close of business January 10, 1957.

SAMUEL M. FOX, Treasurer.
December 14, 1956.

CANADIAN PACIFIC RAILWAY COMPANY

Dividend Notice

— oOo —

At a meeting of the Board of Directors held today a regular dividend of seventy-five cents and an extra dividend of twenty-five cents per share on the Ordinary Capital Stock was declared in respect of the year 1956, payable in Canadian funds on February 28, 1957, to shareholders of record at 3:30 p.m. on January 4, 1957.

By order of the Board.
FREDERICK BRAMLEY,
Secretary.
Montreal, December 10, 1956.

A regular quarterly dividend

of 30c per share has been declared by Daystrom, Inc. Checks will be mailed February 15th to shareholders of record January 25th.

DAYSTROM, Inc.
Elizabeth, N. J.
Electrical and electronic products
Modern furniture

FEDERAL

FEDERAL PAPER BOARD CO., Inc.

Common & Preferred Dividends:

The Board of Directors of Federal Paper Board Company, Inc. has this day declared the following quarterly dividends:

50¢ per share on Common Stock.
28¾¢ per share on the 4.6% Cumulative Preferred Stock.

Common stock dividends are payable Jan. 15, 1957 to stockholders of record at the close of business Dec. 27, 1956.

Dividends on the 4.6% Cumulative $25 par value Preferred Stock are payable March 15, 1957 to stockholders of record Feb. 27, 1957.

ROBERT A. WALLACE
Vice President and Secretary
December 12, 1956
Bogota, New Jersey

Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Joseph A. Luger has joined the staff of Walston & Co., Inc., 231 S. La Salle St. He was formerly with Rodman & Renshaw and Reynolds & Co.

With Livingstone Crouse

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Melvin G. Knott has become associated with S. R. Livingstone, Crouse & Co., Penobscot Building, members of the Detroit Stock Exchange.

DIVIDEND NOTICES

COMBUSTION ENGINEERING

C-E

Dividend No. 213

A Quarterly Dividend of Twenty-Eight Cents (28¢) per share on all the outstanding stock of Combustion Engineering, Inc. has been declared, payable January 23, 1957, to stockholders of record at the close of business December 28, 1956.

OTTO W. STRAUSS
Vice-President and Treasurer

MIAMI COPPER COMPANY

61 Broadway, New York 6, N. Y.
November 16, 1956

A quarterly dividend of fifty (50¢) cents per share was declared, payable December 18, 1956, to stockholders of record at the close of business November 30, 1956.

An extra dividend of one ($1.00) dollar per share was declared, payable December 18, 1956, to stockholders of record at the close of business November 30, 1956.

An additional extra dividend of one ($1.00) dollar per share was declared, payable January 11, 1957, to stockholders of record at the close of business November 30, 1956.

JOHN G. GREENBURGH,
Treasurer.

McMahon & Hoban Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John E. O'Neill is now connected with McMahon & Hoban, Inc., 105 South La Salle Street.

With Taussig, Day

(Special to THE FINANCIAL CHRONICLE)

PEORIA, Ill. — Kenneth M. Tyler has become connected with Taussig, Day & Co., Inc., First National Bank Building.

DIVIDEND NOTICES

USMC

UNITED SHOE MACHINERY CORPORATION

206th Consecutive Quarterly Dividend

The Board of Directors has declared a dividend of 37½ cents per share on the Preferred stock and 62½ cents per share on the Common stock, both payable February 1, 1957 to stockholders of record January 3, 1957.

WALLACE M. KEMP,
December 12, 1956 *Treasurer*

New England Gas and Electric Association

PREFERRED AND COMMON DIVIDENDS NOS. 39

The Trustees have declared a quarterly dividend of $1.12½ per share on the 4½% CUMULATIVE CONVERTIBLE PREFERRED SHARES of the Association payable January 1, 1957, and a regular quarterly dividend of twenty-five cents (25¢) per share and an extra year-end dividend of five cents (5¢) per share on the COMMON SHARES of the Association payable January 15, 1957. All three dividends are payable to shareholders of record at the close of business December 26, 1956.

H. C. MOORE, JR., *Treasurer*
December 13, 1956

The DIAMOND MATCH COMPANY

75th CONSECUTIVE YEAR OF DIVIDENDS

The Board of Directors of The Diamond Match Company on December 13, 1956, declared a regular quarterly dividend of 45c per share on the Common Stock. At the same meeting the Board also declared a quarterly dividend of 37½c per share on the $1.50 Cumulative Preferred Stock. Both dividends are payable February 1, 1957 to stockholders of record January 4, 1957.

diamond

PERRY S. WOODBURY, *Secretary and Treasurer*

MATCHES · PULP PRODUCTS · LUMBER · BUILDING SUPPLIES · WOODENWARE

PACIFIC POWER & LIGHT COMPANY

Dividend Notice

Quarterly dividends of $1.25 per share on the 5% preferred stock, $1.13 per share on the 4.52% serial preferred stock, and 40 cents per share on the common stock of Pacific Power & Light Company have been declared for payment January 10, 1957, to stockholders of record at the close of business December 31, 1956.

H. W. Millay, *Secretary*

PORTLAND, OREGON
December 12, 1956

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—This is the story of Representative Wright Patman of Texas and his 22 captive ears.

The scene was the old Supreme Court chamber in the Capitol. Its walls seemed to reminisce of the decisions spoken by learned justices, decisions whose effect upon the nation's history was momentous. The time was last week.

The occasion was a hearing held by the so-called "stabilization" subcommittee of the Congressional Joint Economic committee. The latter performs a substantive function analogous to that of the "United" Nations. It serves as a sounding board for various kinds of propaganda. It is precisely no more influential upon legislative action than a "United" Nations resolution against Communist China or one the other day against Russia for its mass murders in Hungary.

Nevertheless, there appeared before the committee all but one member of the Open Market Committee of the Federal Reserve System. That committee consists of five Federal Reserve bank presidents and the seven members of the FR Board.

One was absent, and his excuse, Mr. Patman observed in open committee, he felt was valid. That left 11 of the literally top personnel of the Reserve System, 11 sets or 22 ears. Ostensibly they were to discuss Federal Reserve or monetary policy. The 22 ears were captive ears. They were invited there by Mr. Patman and they could not well refuse.

With a competent staff of committee economists, the hearing could have turned into an enlightening inquiry into the basis of the present monetary policy. It could have educated Congressmen and the public as to what the Federal Reserve System is doing and why.

Martin Opens

Most of the enlightenment that developed came from the traditional permission of the chief witness to make an opening statement. The opening statement was read by Chairman Bill Martin of the FR Board. From that time on, the hearing became largely a monologue with Rep. Patman telling the Open Market Committee repetitiously what Mr. Patman's ideas were.

It was, to be sure, interrupted when Senator Joseph C. O'Mahoney, Wyoming Democrat, conducted his own monologue and told the Open Market Committee what Mr. O'Mahoney's ideas were.

Occasionally Mr. Martin was allowed by the Senator or Representative to complete a sentence. Seldom was he allowed to round out an answer or a comment without interruption from one or the other.

Alfred Hayes, President of the Federal Reserve Bank of New York, was there at the urging of Mr. Patman. Mr. Hayes was prepared to read a statement discussing the mechanics of the OMC's operations. Mr. Hayes, however, did not get an opportunity to read his statement. [Ed. Note: Text of statement on page 7]. Mr. Patman was so conscientious (and to a lesser extent also was Senator O'Mahoney) and so continuous in the expression of his own ideas, that there was not time to listen to Mr. Hayes. It was read into the record. No one would go broke offering to pay $5 for every Senator or Representative who actually reads Mr. Hayes statement in the record.

Picture Taking

A third member of the "stabilization" subcommittee appeared in the old Supreme Court chamber in the morning in advance of the hearing. He is an individual who knows the Federal Reserve System. The third member remained long enough to get his picture snapped by the press photographers but then disappeared. He reappeared before the opening of the afternoon session, again staying only long enough to get mugged on the flickers.

Both Mr. Patman and Senator O'Mahoney provided some gems of wisdom. The Congressman insisted repeatedly that the FR was "raising interest rates" to the detriment of small business, farmers, and school districts which wanted to borrow money to build schools. After the when did you stop beating down the farmers, question was asked several times, Mr. Martin suggested that Mr. Patman hear from Gov. Charles R. Shepardson, the farm member of the FR Board.

"I don't want to get it off on that angle right now," responded Mr. Patman. "Not that I wouldn't be interested, but I know what your story is."

Such a hoot came from the audience that a little later Mr. Patman allowed Gov. Shepardson to say a few words, who actually stated four complete sentences before he was interrupted.

Not Worried About Depreciation

In an oral statement which he made before the committee, Senator O'Mahoney said he wasn't much impressed with the argument about depreciation of the dollar, for it had been depreciating since the beginning of the country.

"Well, now, I will just say this to you, that I believe very definitely that if we are going to win the cold war with Russia we had better concentrate all our fiscal policies to see that the social and human goals of the masses are protected from depression of any kind," the Senator said.

"We would much rather go out of balance somewhere else than out of balance in improving the standard of living and the culture of the masses of the people who make up this nation of ours. . . .

"That is why I respectfully will urge upon the Federal Reserve Board to forget the theories and the sound principles even, which may have been sound when we did not have this great international problem, and place first of all in our consideration the maintenance of a sound people rather than a sound dollar."

Long Range Problem

In their devotion to expressing their own inflationary ideas. Messrs, Patman and O'Mahoney passed by any opportunity to bring out some of the long range problems which will confront the Federal Reserve in trying to limit the manufacture of deposit money.

To most observers, these problems look most formidable. In the last tax anticipation bill, the Treasury brought its total takings of new cash to something approaching $1.5 billion more than probably was anticipated only five or six weeks previously.

Monetary Fund Set-UP

An immediate effect of the Monetary Fund advance to Britain was the transfer of $561,470,000 from the accounts of the Treasury at the Federal Reserve Bank of New York to the account of the British Government.

The Fund gave the British a standby credit additionally of $738,530,000. It is definitely anticipated that some of this total, if used, will be in foreign currencies. On the other hand, the greater part will probably be U. S. dollars, it is believed.

The projected Export-Import bank secured loan to the British Government will undoubtedly require the Treasury to provide additional funds.

Whatever method is used to raise these funds strikes at the Reserve Board policy of limiting strictly the enlargement of the money supply.

To the extent that banks use the tax and loan accounts, this, of course, will work in the direction of increasing the money supply. For banks can merely credit the Treasury with their subscriptions to TAB's, putting up only the 20%, more or less, of required additional reserves.

Actually, initially, it is believed most of the bills will come from T. & L. accounts but will be worked off by banks.

On the other hand, if the funds come from non-bank subscribers, their borrowing by the Treasury will still further subtract from the short supply of loanable savings, creating political hostility to monetary restraint.

Delayed Discount Rate

Since it is the policy of the Reserve of avoiding taking its steps at the times when these will clash with Treasury financing (even though the Fed. normally avoids propping the Treasury) it is a reasonable hunch that a discount rate rise to 3¼% might have come earlier this month but for the necessity for holding off to let the Treasury pick up some additional money.

It is already apparent that the IMF credit to the British and the prospective Export-Import bank loan represent only the first brush with casting up the costs to the U. S. Treasury and the economy of the United States of what Mr. Nixon called this country's "great moral victory" in stopping the invasions of Egypt.

There will need to be loans to France as well. Then, too, Western Europe is full of innocent bystanders to the Eisenhower policy of high morality in international affairs. Among such countries are Scandinavia, Holland, Belgium and Italy.

Two-Horned Dilemma

Either way the Treasury raises this money, as well as later installments to buy a Middle East settlement, the Federal Reserve faces a problem. If the money is raised by bank borrowing predominantly, then the money supply will swell and the control of inflation slips out of the hands of the Reserve.

On the other hand, if the money is subtracted from the economy's hard-pressed political resources, the political pressure to inflate can become veritably irresistible.

It is beginning to look as though the cost of international righteousness over national interest is coming up for payment months sooner than expected, and that as a consequence the Federal Reserve effort to hold the value of the dollar is a difficult job. The mitigating factor in delaying the decision is the possibility of a seasonal credit decline this winter.

If the Kremlin boys were shooting at the goal of promotion of sharp inflation in the U. S., they couldn't have played their cards better or had a more useful, if unwitting ally, in the "Open Mouth" foreign policy.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ

"I've worked for him for years—but for some reason I don't feel I really know him!"

COMING EVENTS

In Investment Field

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

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

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

Jan. 28, 1956 (Chicago, Ill.)
Bond Traders Club of Chicago annual winter party at the Sheraton Hotel.

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

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

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

May 8-11, 1957 (White Sulphur Springs, Va.)
Investment Bankers Association Spring meeting at the Greenbrier Hotel.

Sept. 25-27, 1957 (Santa Barbara, Cal.)
Investment Bankers Association Fall Meeting at Santa Barbara Biltmore.

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