A Happy New Year to All

The COMMERCIAL and FINANCIAL CHRONICLE

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EDITORIAL

As We See It

Prime Minister Nehru of India calls for an end to the "cold war." He is impatient for a beginning at least of some measure of disarmament among the nations of the earth. He wants an end to the domination of one country by another. He is sure in light of recent events that "world opinion" is a force strong enough to hold would-be aggressors in check. The greatest practical difficulty, he finds, is a lack of confidence, the one country in another.

Senator Humphrey, an influential Democrat, would set up some sort of international agency to deal with pressing Middle Eastern problems. He would also like to see American troops withdrawn from Germany against a corresponding withdrawal of Soviet troops from East Germany.

There have been numerous suggestions or intimations that we should lose no time in showing our generosity (either directly or through one of the international agencies) to various peoples and more than one section of the world in order to quell unrest and quiet men's minds. Many such suggestions envisage "loans," but most of them would without much doubt prove in the end to be gifts.

Other ideas and proposals might easily be cited, and they all, whether wise or not, are clear evidence, of a full realization of the seriousness of the current world situation. The diversity of ideas on the subject attest to the difficulty of the problems. For our part, we should not venture to offer any specific solution of these problems. We do feel, however, that any effective policy or program must rest upon certain facts about

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The Supply of Currency And Economic Activity

By WALTER E. SPAHR
Executive Vice-President,
Economists' National Committee on Monetary Policy

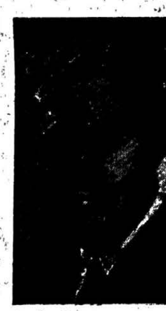
Widely known monetary economist presents demonstrable evidence to refute frequently-advanced contentions that: (1) a 3% annual rate of increase in industrial activity, GNP, and National Income can be obtained by some corresponding currency supply increase; (2) there is a close or controlling relationship between currency supply and prices; and (3) every dollar spent by government should have a certain multiplier effect upon national income. Dr. Spahr points out that while business expansion can cause currency expansion it does not mean the latter can induce the former; shows currency supply and purchasing power depreciation can become so great "that productive activity stagnates . . .", and warns efforts to forestall proper economic readjustments may be beyond control of our monetary and fiscal managers.

The editorial, "As We See It," in *The Commercial and Financial Chronicle* of October 11, points to a genuinely important issue in the monetary field. The editorial states, among other things:

"Money economists — that is economists who talk glibly of 'money supply' and insist there is or ought to be some fixed ratio between the total 'supply' of money and the volume of business being done — are now having a field day."

* * *

". . . Many of these learned gentlemen seem to . . . suppose that since (according to their theory, at least) there is a fixed ratio between the volume of business and 'money supply,' it is possible to enlarge the volume of business by the simple expedient of increasing 'money supply.' They do not seem to suppose that any serious difficulty would be



Walter E. Spahr

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How to End Coerciveness in A Democratic Government

By BEN MOREELL*
Chairman of the Board, Jones & Laughlin Steel Corp.

Growth of enormous powers and misplaced faith in government to accomplish all sorts of social, economic and even moral purposes is decried by Jones & Laughlin Steel Chairman who advances the premise that this is an orderly universe of natural law which cannot be undone, and that we should retrace our steps to the fundamental principles of American Revolution in order to dissolve the voracious government monster we created. Mr. Moreell proposes not political remedies but the restoration of religious dimensions built into our original political structure. Finds this is not a hopeless challenge, particularly in view of our awareness of government's coercive nature even in a democracy.

Government, spelled with a capital G, has become our gold-plated calf. We revere it as the fount of all knowledge and all benevolence. It is true that we do not as yet look to government as the source of scientific law, although they *have* already gone that far in the Soviet Socialist Paradise. But we do tend to regard Government as omni-competent in other important areas of natural law. We respect the impersonal and regular operations of physical nature, the realm of science. We acknowledge that the rules pertaining to this realm issue from the Governor of the universe, not from any political body. Scientists have framed a number of laws which set forth the workings of the material world. And we know that by conforming to those laws we are better able to cope with that world. We agree that this "natural order" has an autonomy and an integrity of

Ben Moreell

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*An address by Mr. Moreell before the California State Chamber of Commerce, San Francisco.

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 30.

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

Armco Steel Corporation—Alfred R. Hill, Partner, Hill & Co., Cincinnati, Ohio (Page 2)

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ALFRED R. HILL
Partner, Hill & Co., Cincinnati, Ohio
Members N. Y. Stock Exchange

Armco Steel Corporation

Although Armco stands eighth in the steel industry in steelmaking capacity, it is running fourth in the amount of earned income. Over the past several years Armco has been a consistent leader in percent of earnings on invested capital and also in net earnings as a percent of sales.

Since World War II, Armco has expanded its production capacity 60%, compared to 40% for the steel industry as a whole, and its growth is continuing. On Jan. 1, 1956, the company's ingot capacity stood at 5,150,000 tons annually. Its capacity rose to 5,950,000 tons on Jan. 1, 1957, and will reach 6,222,000 tons by mid-year. It is most significant that Armco's capital expenditure cost per ton of new capacity has been $160, compared to the industry cost of $200 per ton.

The growth the steel industry is anticipating over the next 10 years will cost $600 million a year, at the present capital cost of $300 for each ton of new capacity. At today's market values for steel stocks an investor can purchase for about $75 the assets required to produce one ton of steel. This, of course, represents depreciated assets and lower capital costs in earlier years. This low market valuation of productive capacity should impress investors with the growth potential of steel shares.

About half of Armco's 35,000 employees belong to independent unions and do not walk off the job when a national steel strike is called. At three of Armco's major plants, including the largest at Middletown, Ohio, not a pound of production has been lost because of a dispute between management and men. During the minor recession year of 1954, the company operated at 91% of capacity compared to 71% for the industry.

Armco has ample supplies of raw materials. The company is entitled to 10% of the ore shipments from the Labrador project of the Iron Ore Company of Canada. Reserve Mining Company, the $190 million project owned jointly by Armco and Republic Steel, is now operating at full capacity. It is turning out high-grade iron ore pellets processed from taconite rock at a rate of more than four million tons a year. In addition, Armco has ownership interest in several companies mining direct shipping ore on the Mesabi Range.

Armco has had a full-fledged research program since 1910, when it built the first research laboratory in the steel industry. It has continued its leadership, developing an average of one new steel product each year. Within the past 30 years, virtually all the significant new products and processes in the field of flat rolled steel, including the continuous rolling mill and the continuous galvanizing processes, have come from Armco's research.

Last and most important, to my thinking, is the part of management. True, Armco's accomplishments required capital, labor, and research, but it has been top grade management that has made the record so outstanding. Armco develops its own leaders through a far-sighted program of incentive and promotion from within. The spirit of teamwork and human understanding is evident to anyone having contact with Armco management. With such a combination of assets, I have every confidence that Armco will continue through the years as a leader in the steel industry.

ERNEST LAX
Research Dept., Hill Richards & Co., Los Angeles, Calif.

Purex Corporation, Ltd.


Ernest Lax

These are days of wars and alarums when the market often cringes from one international rhubarb or another. The Suez boils over and finally dries up . . . armies march in the Middle East . . . upheavals in Central Europe — these are but a few of the recent blows which have affected the investor's peace of mind.

In these parlous times a tranquilizer such as the Purex Corporation, Ltd., common stock may well be prescribed. Regardless of the latest headline about the Suez, or for that matter about the Strait of Magellan or the Sea of Okhotsk, Purex seems destined to remain largely immune to world events and to continue to report healthy gains in sales and earnings. For, while Purex will soothe the investors' ruffled nerves, it is much more than simply an anodyne—as evidenced by a per share earnings increase of 30% in the last fiscal year, to say nothing of a further rise of about 50% anticipated this year. With additional large gains in prospect over the longer term, we believe that there is good reason to "like Purex best."

Roughly one-third of total sales consists of the household bleach and disinfectant sold in liquid form under the trade name, "Purex," and in the dry state as "Beads O' Bleach." Other important products are synthetic detergents accounting for approximately one-fourth of aggregate sales, "Old Dutch Cleanser," representing some 10% of the total, and "Sweetheart" toilet soap, laundry bluing, and various industrial and commercial cleansers and private label items.

There would seem to be little question that these products are inherently attractive from an investment standpoint. They are all low cost items and one or more of them is used daily by every member of the population. This universal market, of course, means that population growth is directly and fully reflected in increased sales for cleaning agents. Further growth is provided by the nation-wide trek to the suburbs, since this trend multiplies washing machines and dishwashers which consume cleaning and bleaching agents. Because of their cheapness and their essential nature, cleaning agents enjoy relatively stable demand, come fair economic weather or foul. Then, their very broad market makes them ideal subjects for advertising and promotional campaigns and, as indicated below, this last characteristic has been very effectively exploited by the Purex management.

During the first two decades of its history Purex confined itself to the manufacture of the household bleach and disinfectant sold under its own name. The first departure from this policy was the introduction of a synthetic detergent, "Trend," in 1947, followed by another ("News") in 1952. A second and more fundamental departure occurred in May, 1955, when Purex launched its acquisition program with the purchase of the Old Dutch Cleanser division from the Cudahy Packing Company for 130,000 shares of Purex stock plus $253,000 in cash. And last July, Purex exchanged 133,000 shares for the Manhattan Soap Company, manufacturers of "Sweetheart" toilet soap, "Protex" deodorant toilet soap, and a dry laundry bluing "Blu-White."

The addition of Old Dutch Cleanser and Manhattan Soap to the Purex lines has created a whole which promises to be considerably greater than the sum of the original parts. Purex's moves in the acquisition field, it should be noted, have had nothing in common with the catch-as-catch-can, higgledy-piggledy consolidations of recent years which defy rational explanation. On the contrary, Purex acquisitions have dovetailed with the company's basic operations to form an inter-related, smoothly functioning organization. In addition to boosting sales volume, as even the irrational consolidations do, Purex's acquisition should materially raise per share earnings, as most of the irrational consolidations do not.

True enough, sales volume has been expanded partly through the acquisitions and is now at an annual rate of some $50,000,000, as against less than $9,000,000 a decade ago. But Purex's lines now pretty much run the gamut of the cleaning agent field and this change entails important profit margin-fattening advantages.

Until recently the company solicited business from its customers, i.e., from wholesale grocers and supermarket chains, primarily through some 82 food brokers. With its broadened lines and increased volume, however, the company was recently able to set up its own sales force. The savings resulting from this change-over are estimated to amount to some $400,000 annually, or roughly 25c a share after taxes. And there are other sizable benefits which cannot be as precisely measured, but which also contribute to bigger earnings. The food brokers who previously handled sales sold products of many other companies in addition to the Purex lines, and this diluted effort undoubtedly held the Purex volume down. Under the new system, on the other hand, there is complete control over the sales force and concentration upon Purex items in dealing with wholesalers and chains which should stimulate volume materially.

Since transportation is a sizable cost item for a company such as Purex, the management had for some time sought additional manufacturing capacity to serve its growing Eastern markets. Through the Manhattan Soap purchase Purex gained such facilities at reasonable cost, ideally located some 70 miles from New York City. Manhattan Soap's major plant is a 250,000-square foot facility at Bristol, Pa., which has

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Immediate and Intermediate Future Business Prospect

By AUGUST IHLEFELD*

President, Savings Banks Trust Cmpany, New York City

Noted banker sees in prospect for the near future continuation of basic current economic trends; cloudy intermediate outlook if inflationary bank credit expansion continues; and offers an evaluation of the prospects for the pharmaceutical industry. Mr. Ihlefeld depicts the strong role played by capital outlays; describes factors prompting present credit squeeze and inevitable demand for more borrowing; outlines possible developments that might cause a recession; and opines that return to easy money may not suffice to check a recession as it did in 1953-54, but anticipates home building undertaking a dominant role again if needed to sustain prosperity. Warns some firms may be embarking upon ambitious expansion programs without full consideration of the difficulties or pitfalls, including financial costs, which may lead to overproduction, and suggests expansion caution.

The American economy is reaching new high peaks for production and national income as the year 1956 draws to its close.

August Ihlefeld

Industrial production this year despite the summer steel strike, will be some 3% larger than it was last year. The output of all industry is nearly 50% larger than it was in the years 1947-49, when the economy was considered prosperous.

National income this year will exceed that of 1955 by about 5%.

Back in January, certain trends aroused doubts that this would be another record year for American business. With automobile sales and home building headed downward and with credit getting tighter, the prevailing view then was that, at best, 1956 might turn out to be our "second best year."

What, we may ask, pushed the American economy upward once again, from a very high level, in a year in which the vital automobile and house building industries have suffered a substantial setback?

The answer is to be found in the field of business spending.

The economy has been dominated this year by an upsurge of new plant and equipment expenditures of unequalled proportions. Last year, such spending aggregated $28.7 billion. This year, it is expected to exceed $35 billion. Moreover, the rate of business outlays on new plant and equipment has been stepped up briskly each quarter. In this final quarter of 1956, such expenditures are at a $38 billion annual rate, which is over $9 billion higher than the 1955 annual total.

The Plant and Equipment Boom

The magnitude of the rise in new plant and equipment spending by American business this year is nothing short of amazing, all the more so because consumers have curtailed durable goods purchases and it has become so much more difficult to raise money to finance expansion.

It has been demonstrated that the arguments for stepping up plant and equipment spending are very strong. Business managements have so far found them convincing. The key arguments are:

(1) The long-range growth of the economy is assured, based upon accelerated population growth and rising living standards.

(2) The rising trend of wages and material costs stimulates acceleration of plant spending to avoid cost increases later on.

(3) Technological advances, spurred by record research programs, make new capacity so much more desirable both to turn out new products and to manufacture existing products more efficiently and economically.

(4) Competitive considerations make it necessary to keep up with rivals who are expanding capacity or cutting costs through installing more up-to-date facilities.

To date, these incentives to expand plant and equipment spending have proved so strong that industry has been stepping up such outlays steadily. There is no indication as yet that the upward trend of such expenditures is coming to an end.

Advance estimates of capital spending issued by government and other sources will bear careful watching for indications that the upward trend is slowing down. There is no more significant indicator of the near-term prospects for our economy at this time than projections of capital outlays by business.

The Problem of Financing

The bulge in business plant and equipment spending this year has given rise to a major financing problem. This problem has been aggravated by a simultaneous expansion of inventories of some $6 billion in response to rising price and wage trends. The consequent upsurge in business borrowing dominates and will continue to

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*An address by Mr. Ihlefeld before the Mid-Year Meeting and Eastern Section Meeting of the American Pharmaceutical Manufacturers Association, New York City, Dec. 12, 1956.

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The Beauty of Bank Stocks

By IRA U. COBLEIGH

Enterprise Economist

A brief year-end look at a splendid type of security too frequently neglected by investors, in their consideration of top flight equities.

This is not going to be so general a tract on bank stocks as the headline might lead you to believe. With almost 14,000 commercial banks in the U. S., it would be madness to attempt broad coverage of all (or most) in so short a piece; but there are a few things to be said about bank stocks in general and New York banks in particular, that should prove timely and topical. So having no motive so ulterior as seeking a bank loan for ourselves, and not being sufficiently overcome by the generous impulses of the Holiday season to consent to be a co-maker, we plunge, unprejudiced, into the icy waters of bank credit, and the creditable earning power it generates.

Ira U. Cobleigh

Nineteen hundred and fifty-six has been a fine year for the banks, and except perhaps for some rather sloppy check cashing in a certain Illinois institution (the responsible officer has, I believe, been referred to another institution); and an over generous loaning policy by a Santa Claus-type president of a downstate New York bank, bank solvency, earning power and dividend payments have never been so good. Not unlike other merchants, bankers thrive on rising prices for their product. And since their product is the all-time world favorite—money—the upward slant of interest rates (the price of money) in 1956 has provided new dynamics to bank earnings.

Specifically, banks have been moving ahead in several directions. First, for instance, the average interest rate on commercial loans in 1948 was 2½%. It's above 4¼% today. Secondly, with tight money and rising interest rates, bank loans are of better quality. The marginal applicant, corporate or individual, who might have been accommodated a couple of years ago, simply does not get the loan today; and the account "Reserve for Bad Debts" has thus become, in many cases, a quite substantial hidden asset.

Thirdly, banks have now blithely and eagerly reassumed their major historic economic function—to make loans. Back in 1948 again, loans, as a percentage of bank assets in major institutions were around 30%. Today, for many fine banks, that percentage would be 50%; and the average would probably exceed 48%. Totally, commercial banks in the United States now have over $160 billion in loans and investments—up from $113 billion, at the 1949 year-end. But the important thing about this impressive advance in assets is that it is due completely to loans, which in the same time interval have risen from $40 billion to over $88 billion.

Then what about bonds? Time was (in the late 30's) when banks were mostly investment trusts in government bonds. Hasn't the bond market decline racked up whacking losses in portfolio? Well, of course, there have been some debits here; but not as severe or as costly as you might have thought. Banks generally don't go in heavily for long-term bonds; and those are naturally the ones showing the greatest decline. Shorter term issues have declined, and many have been sold at losses to create the funds for higher yielding commercial loans. When this is done, the loss comes out of taxable earnings and hence the capital funds of the bank are reduced by only 48% (and not 100%) of the loss. If the securities are merely "written down" to market, the debit appears in Net Earnings (but not Net Operating Earnings which portrays the average of standard recurrent-type earnings above normal expenses and taxes). This debit again is not as real as it might seem, since the bonds or notes may rise again; or be held to maturity in either of which cases, an actual loss may never be established.

Actually, sound appraisal of bank shares should, for the most part, disregard all non-recurrent items, either fat capital gains or losses, bookkeeping or actual. They tend to offset each other, although, over the years, in well managed banks, the non-recurring gains should prevail.

Something, too, should be said about the growth of bank earnings. Lots of people have stayed away from bank shares under the impression that they (the bank shares, not the people) are rather static earners, and meager dispensers of dividends. Such opinion is grievously in error. In the six years 1950-5, major metropolitan banks increased their net earnings by over 33⅓%, and their cash dividend distributions in about the same ratio. Rise in the market price of shares has also performed quite similarly.

About dividends, bank custom has dictated a payout of between 50% and 55% with some of the big New York banks, such as Guaranty Trust and New York Trust paying higher percentages, and some of the more rapidly growing ones, Security-First in Los Angeles, and Valley National in Arizona, paying less. (Another rapidly growing bank, Franklin National on Long Island has had a policy of paying dividends almost entirely in stock.)

Right now, on some of the finest bank stocks in America, you can get a 4% yield and pay a price of only 12½ times earnings to get it. Nor is this 4% all. There is legitimate reason in at least a dozen excellent major metropolitan banks to expect a dividend boost; so that the yield you actually buy today may, a year from now, be 4.20% or better.

Traditionally, purchase of good bank stocks on a 4% or better basis has been rewarding; and that observation is particularly timely today when the available yield here compares favorably with that of the best grade utility and industrial shares. Moreover, some of the bank shares we have in mind have paid dividends, without a miss, for from 50 to a hundred years. Money never goes out of style and banks don't have to turn out a model every year! Money has always been wired for sound — sound expenditure and sound investment.

Having ticked off some of the reasons why bank stocks should be favorably considered at this time, we ought now to carry through on some specific suggestions. We mentioned earlier that we were going to cite New York banks—so here goes.

For the traditionalist, we ought to start with J. P. Morgan & Co., a bank without branches, renowned for the size and elite character of its corporate clients, whether they use the deposit or loan facilities, or patronize the transfer or registrar services of the trust department. At 360 with a $10 dividend, J. P. Morgan & Co. is a financial mink. Operating earnings for 1956 should be around $25. Bank of New York at $280 with an $11 dividend yields almost 4%. The oldest bank in New York, it is still one of the best.

First National City Bank of New York is attractive by virtue of its $2.60 dividend on a price of 70, the great potential gains of the merger, and the prospects of moving into lush surburban branch banking via the holding company route. Irving Trust ingratiates itself because it is a liberal dividend payer, paying now twice as much as in 1946. This year earnings have advanced by about 23%, so that the present $1.60 dividend might be improved.

Chemical Corn Exchange goes back to 1824 in corporate history, and presents a branch banking and management combination that any shareholder might admire. At 48 with a $2 dividend, the yield is above 4% and the earnings trending up; Chase Manhattan at 50 with a $2.40 dividend leaves one to wonder why he should dabble in volatile industrials when such a good (Rockefeller management) bank stock is kicking around on a 4.8% yield.

We agreed to be brief. We have been. Since bank credit has become desocialized; since money rates are high and look as if they'd stay that way; since on a yield and price earnings basis bank shares look neglected, we now go on record in favor of them. May you have a Happy New Year that you can bank on!

White, Weld Co. Will Admit James Jackson To Firm

BOSTON, Mass. — White, Weld & Co., 111 Devonshire Street, will admit James Jackson, Jr. to limited partnership on January 1st. Mr. Jackson was formerly a partner in Townsend, Dabney & Tyson.

Hayden, Stone to Admit R. G. McDermott

Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, will admit Richard G. McDermott, member of the Exchange to partnership on February 1st. Mr. McDermott is a partner in Peter P. McDermott & Co.

The State of Trade and Industry

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

Notwithstanding slight cuts in the output of automobiles, food products and lumber the past week, industrial production held at the level of the prior week; total output, however, moderately surpassed that of a year ago.

Scattered labor disputes somewhat curtailed automotive output last week. The production of cars and trucks declined fractionally, and was 4% below that of the similar 1955 week. Total output of passenger cars from Jan. 1 to Dec. 15 of this year was 28% below that of the comparable 1955 period. Although truck output rose fractionally the past week, it was 11% less than a year ago.

Steel mills scheduled production at 102% of rated capacity, reflecting a slight decrease from the all time high level set in the previous week. Output continued 7% above that of last year. Many producers hired extra workers in an effort to reduce backlogs of orders for steel plates, structural shapes and tubular goods.

Year-to-year gains in electric power output ranged from 2% in the Southeast to 12% in the South Central States. Total output exceeded that of a year ago by 5%.

Claims for unemployment insurance by newly laid-off workers dropped by 4,400 during the week ended Dec. 15 to 264,600, the Bureau of Employment Security reported.

It added, more stable conditions in the apparel, textile and food processing industries, which resulted in smaller layoffs, were responsible. A year ago, the initial claims totaled 242,700.

It also noted that insured unemployment went up by 29,600 to 1,161,800 during the week ended Dec. 8. The agency said the rise was shared by most states and was attributed to curtailments in construction and other activities. A year ago the total was 1,049,500.

The handwriting is on the wall for steel plate users. Pressure for speedup of oil tanker construction will channel plate from an already-tight market to the shipyards. A formal allocation program is out, but a "voluntary" system will accomplish the same purpose, states "The Iron Age," national metalworking weekly on Wednesday of this week.

While a formal government allocation program has been killed, steel plate producers will have to see to it that oil tanker builders get the plates they need for new construction and repairs. This will disrupt regular distribution of plate throughout the nation. Other plate users will have to tighten their belts another notch or so.

Meanwhile, steel producers have lost their battle for fast tax writeoffs on new steel capacity. Over $2,000,000,000 worth of steel expansion projects are on file with Office of Defense Mobilization for fast-tax consideration, but top policy makers in the Administration have turned thumbs down, this trade weekly points out.

Steel mills have made a strong pitch to Washington officialdom to minimize the impact of the oil tanker crisis on regular plate users. They are insisting that before extra plate tonnage are channeled to shipyards that steps be taken to make sure that other parts are available such as boiler tubes and motors; that oil will be available when the tankers are completed; that the tankers will actually be needed and that other plate users just as important to the economy are not hamstrung. "The Iron Age" declared.

While attention is focused on the tankers and fast-tax question, the steel market is building up more steam and generating a few old twists. For instance, the hot-rolled bar market is strong, but it could be stronger. The reason is that freight car builders, for one, are hampered by the shortage of plate and structurals, so they are gaging their hot-rolled bar orders on how much plate and structurals they get.

Holiday production schedules cut into finished and raw steel output this week. Even though the mills held these losses to a minimum, the effect was to aggravate heavy backlogs and set back delivery promises for many steel users. The New Year Holiday also will cut into production efficiency, concludes this trade authority.

On Monday of last week the Interstate Commerce Commission authorized emergency increases in railroad freight rates and charges of 7% in eastern territory, 5% in western territory and 5% inter-territorially between eastern, western and southern territories, with certain hold-downs and exceptions.

The Commission authorized no increase on refrigeration and other protective service charges, it reported.

Domestic car and truck production was pared 3.6% last week in preparation for the long holiday week-end, "Ward's Automotive Reports" stated on Friday, last.

Holding close to the year-ago level, passenger car production was counted at 152,588 the past week compared with 158,431 the week preceding and 150,881 in the like period of 1955.

"Ward's" said only Ford Motor Co.'s Ford, Mercury and Lincoln divisions plus Cadillac scheduled Saturday work last week, explaining the production decline.

The week's volume found General Motors Corp. at 47.6% of the industry total, Ford Motor Co. at 32.3% and American Motors plus Studebaker-Packard Corp., at a combined 3.3%. The reduction in Saturday work pared Chrysler Corp. to 16.8% the past week from 18.6% the week before, "Ward's" stated.

The statistical agency noted that low price field cars are making a determined bid to hold to their near-record 1956 model share of the auto market despite the major appearance and engineering changes in the medium price class.

Ford, Plymouth, Chevrolet, Rambler and Studebaker bit off

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Observations . . .

By A. WILFRED MAY

SOME SPECIAL HISTORICAL NOTES ON THE 1956 MARKET

The stock market's performance during this outgoing year again served to highlight the difficulty of timing, particularly of "the" market as a whole and over the short-term; as well as the proclivity to rationalize *ex post facto* the explanation and interpretation of news to fit a prior price movement.

A. Wilfred May

At the 1955 year-end as the Dow Jones Average rose to close at the 12-month as well as all-time peak of 488, the business and market forecasters were quite uniformly bullish. Pointed to were industry's prospective outlays exemplified by General Motors' announced plan for $1 billion outlays for expansion; the great public interest in the prospective offering of the Ford stock; foreign aid; and election year political spending. At the turn of the year the National Industrial Conference Board's Economic Forum on the Business Outlook concluded that 1956 would see steadily rising activity throughout the year: "1956 will yield the highest economic activity, the largest national output, and the greatest volume of industrial production this nation has ever known."

The market's ensuing action, however, obtusely surprised with a 27-point decline, the biggest upset in four months, during the new year's first 23 days. At that time, in conformity with the market's behavior, such nasty things as profit squeeze and prospective labor trouble supplanted high business activity in market comment. And, in contrast to the bullish construction previously placed on the Ford offering, now with motor shares generally falling attention was shifted to Mr. Henry Ford's cautioning words that the public's enthusiasm for his stock was overdone. At times of speculative enthusiasm Wall Street is prone to regard as bullish such "bending over backward" statements by an insider.

Double Talk on Strike News

In its reaction to the steel strike developments the market confounded the forecasters and made life difficult for the interpreters. Contradicting the Street's long-standing maxim "don't sell on strike news," the market in early July did decline as the strike was made effective. At times of market rallying during the subsequent lengthy strike, prospects for a settlement were ferretted out and emphasized. And during such bullish market periods the strike's benefit in cutting down excessive industry inventories were hailed by the market observers.

Liking Ike—Spasmodically

Ike too—as medical patient and nominee—befuddled the forecasters and interpreters. During the long nerve-wracking wait for his decision about running again the business and market community's faith in him was typically indicated by such headlines as "President Eisenhower's decision to run would spur a business boom." "President Eisenhower's political intentions constitute the market's most important near-term factor." Thereafter, the actual announcement of the decision to run again, made at the end of February, proved to be a loud dud marketwise, with heavy selling coming in. Similarly, Ike's reaffirmation of his candicacy on July 12 excited no market response.

Dealing with the final election results, market forecasting and comment again went awry. Throughout the year the expectation was voiced that retention of the Republican Administration would be good for business; and the market qualms about Republican deflation were disposed of by one important forecaster (on June 28) with the reassurance that for either party "anything other than a full employment policy is political suicide." When Ike's campaign seemed to be sadly bogging down in September, the market fell by 11%; and constructive market action was depicted as "waiting for the ballots." But lo, the news of Ike's actual victory, and by near-record proportions, was immediately followed by a drastic market decline—not an advance—lasting over three weeks and reflected in a 29-point drop in the Average. *After* the onset of the decline, attention was centered on such obstructions as profitless prosperity and rising money costs.

Non-Correlation Between Credit and Market Action

Throughout the year the interest rate and tightening credit as a market influence acted non-uniformly and unpredictably. During the stock rise of the first five months, the major increase in credit cost, was ignored as a decisive factor. While the bearish implications of the narrowing bond stock yield differential were cited (as by an important Washington seminar) in the early part of the year, they became ignored as stocks rose to new highs. In fact, one leading commentator observed on April 26, after five increases in the rediscount rate, that this essentially represented a *bullish* situation in evidencing a business-expansionary demand for funds by corporations and individuals.

And constantly through the market's strength to September the interest rate factor in "interpretation" was supplanted by bullish elements as "inflation" ("Long-run inflation causes business cycles to become self-correcting"), and a possible Eisenhower re-election. The Arthur Wiesenberger Forecasting Derby, in which 56% of the participating expert financial writers on Labor Day predicted a further market rise to the year-end from its D. J. 502 near peak, reflected the bullish atmosphere of that time.

During the intervening short periods of *decline* in money rates, as measured by long-term Treasury Bonds, which occurred during May and September, the stock market actually fell. Only after

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What Electronics Means to You

By PAUL A. JUST*
Executive Vice-President,
Television Shares Management Corporation

Growth of electronics as a giant $11 billion industry, fifth largest in U. S. is pictured, with many examples of application, as having an apparently limitless end, and as more than a science or an industry, by Television Shares Management executive officer. Contends that if steel is the backbone of our economy, "then electronics is its nervous system and the brain of this highly sensitive system is the electronic computer." Mr. Just outlines the role played by computer in industry, commerce, banking and merchandising, and opines that, in its initial stages, electronics' application will result in greater speed, efficiency of operation, and eventually create more jobs, more products at lower cost, raise labor standard and provide greater leisure time.

About midyear of next year, the eyes of people around the world will be turned skyward to watch a twentieth century miracle being performed. They will see the first man-made satellite encircling the earth at the stupendous speed of 18,000 miles per hour in an orbit some 300 miles above the globe's surface. This sphere, representing man's first step in an experimental excursion into space travel, will be only 21 inches in diameter, will weigh but 20 pounds, and will be crammed full of devices and equipment representing advanced applications of the electronic science.

Paul A. Just

The answers relating to the earth's outer atmosphere which will emerge from this experiment will, to some extent, unravel some, perhaps many, mysteries about the upper ether. What those answers will be, where they will lead only the scientists can guess since the whole subject is of a highly technical nature.

But we are not to deal here in terms of theory or speculation, whether it be in relation to electronics as a practical science or in relation to electronics as a field of investment. We have a multitude of facts on which to base any discussion of this highly dynamic field, and it is facts with which I am sure you are most concerned at this moment.

Let us consider first how the facts of electronics are lined up to present a picture of modern living—of our life as we know it today. Electronics is everywhere—in the open where we can see its application in our homes, in our offices, in our laboratories and in our factories. It is also hidden, involved in processes and productive efforts where its presence is vital though publicly unnoticed.

You have but to pick up your favorite newspaper or magazine and virtually in every issue you will see some item relating to electronics, or to its closely-associated field of nucleonics or atomic energy. This is no accident, it indicates an awareness on the part of editors that electronics is news—that it is a subject, a broad one, which affects and interests the public to a very high degree.

Electronics Is More Than a Giant Industry

If electronics is news, as I say, it is so because of its prime importance in our lives. Today, the field of electronics is a giant, $11 billion endeavor, the 5th largest industry in the United States employing some one and three-quarter million people. Today it is nine times its size at the end of World War II but not even half its expected dimension 10 years hence. Further, it has reached and is continuing to reach into virtually every facet of our productive life so that describing it as an industry is becoming a misnomer. I like to say that elecronics is just about everybory's business.

How so? Well, let's take a look.

Let's start with the home where the most dramatic manifestations of electronics have taken place or are about to occur. In the lead as a factor in altering our home life has been entertainment television. The spectacular growth of television is sometimes overlooked in current appraisals of the growing up phase through which this segment of electronics is passing.

Consider the fact that there were fewer than 10,000 sets in the first postwar year and that programming amounted to only a few hours daily from a handful of broadcasting stations. Television now serves some 37 million sets and there are more than 400 stations presenting programs, most of them from early morning to late at night. Consider, too, that more than $1 billion is being spent annually by advertisers for all types of television programs at the national and local level. This is about 20 times the annual volume of television advertising only seven years ago.

The impact of portable television sets, in varied sizes, and to a lesser extent the practical introduction of color sets into this year's market has kept the pot boiling in this segment of electronics and both these developments presage greater growth in the near future. Color television got off to a slow start in 1956, but will begin to hit its stride next year when it is confidently predicted that some 600,000 color sets will be in U. S. homes.

Further than that, new developments in tube design and manufacture; the trend toward miniaturization and the compressing of receiver components into compact, space-saving units; plus more widespread use of printed and transistorized circuits, promise radical changes in the overall size of the television sets of the immediate future. If we look even farther, the development of electroluminescence, whereby electrical current acts on certain materials to supply light, gives promise that the day of mural television—a screen hanging from your wall like a picture frame and only a few inches thick—is not too far off.

But television is not the only denominator which divides your life at home into so many comforting, entertaining and work-saving elements. You have, of course, a radio—probably more than one, since it is estimated that there are some 142 million radios in use today—and this phase of electronics is still a mighty powerful oldster sales-wise. Last year, some seven million home radios were bought by the public and this year sales have been running about 28% higher.

If you haven't got one in your home, you've probably been thinking about a hi-fi phonograph and here, too, we find a tremendous growth in sales. In 1955, sales of individual phonographs, as distinguished from those incorporated in radio and television sets, totaled a record 2,200,000, more than four times the highest previous year, and 1956 sales appear headed for another record.

You probably never think of perhaps the most important device in your home—your telephone—as a piece of electronic equipment. But it is, depending on electronics to serve you with speed and efficiency 24 hours a day. The developments here during recent years have magnified many times the value of this instrument of communication. Through the magic of electronics —in micro-switches, relays, repeaters and a host of other devices—you and your home have been brought closer to many more people and parts of the world than even Alexander Graham Bell could have envisaged when he spoke the first message over his crude instrument some 75 years ago. In many parts of the country today, telephone users are dialing their own long-distance calls without the intervention of an operator to further speed up service over widely separated areas and this is possible only because of electronic devices.

Beyond that, it is only a matter of time when your telephone will add sight to sound. Bell laboratories has successfully demon-

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*An address by Mr. Just before the Bradenton Kiwanis Club, Bradenton, Fla., Dec. 4, 1956.

Looking Into Canadian Economy And Continuing Economic Growth

By A. C. ASHFORTH*

President, The Toronto-Dominion Bank, Toronto

Prominent Canadian banker doubts continuance through 1957 of the remarkable growth rate achieved during past two years can be expected; depicts major task for coming year the maintenance of a stable dollar to assure sound economic growth—objectives of current "tight money" policy; and, in reviewing record 1956 growth, recommends increased immigration in order to enlarge national output. The Toronto-Dominion Bank head discusses: the difficulties and importance in the timing of a shift in monetary policy to combat deflationary trends; implications to Canada of deteriorating international conditions; need to develop more savings to finance capital projects; and tax reduction proposal permitting non-assignable certificates for the amount of tax cut to be issued.

Canadians of all people should sympathize with the desire of other small nations to maintain their independence in domestic affairs. However, it seems to me, that on some occasions we may go too far nowadays in allowing small nations to have their own way in matters where their sovereignty may be involved. In many cases these nations seem to be willing to act on only the narrowest basis of their own self-interest, and seem to refuse to consider the broader interests of other nations. Carried to this extreme, self-determination becomes a mockery in which a few are allowed to enforce decisions that affect the welfare of all, and even perhaps to jeopardize their very safety, without assuming responsibility for the results of their actions. The Suez situation is only one example; there are many other cases in which a geographic area located so as to be subject to the sovereignty of a country is of great importance to other countries as well, for perfectly legitimate reasons. In some cases these key areas are navigable waterways, in others they are land areas. Some are important as trade routes, others for defensive reasons. We have made some progress towards solving the problems concerned in a way that will protect the interests of all parties, but the present crisis shows that we still have a long way to go.

A. C. Ashforth

We see an entirely different sort of problem in Hungary. Here in recent weeks the common people have staged a heroic revolt against the ruthless military tyranny under which they have been held. Courage of this kind sends a thrill through us, even as we weep over the bloody reprisal it has entailed. This and other events in Eastern Europe lend hope that Russia's grip on its satellites may soon be loosened. We can not be sure, however, and indeed there remains the very real danger that the Communist leaders will bring the whole world down in the ruins of a third global war as a last desperate measure if they find they are unable to retain their control over those they have subjugated.

Many of us had hoped that the United Nations would prove effective in dealing with crises such as this. So far this hope has been disappointing. One consequence of that failure is the present unfortunate divisions within the Western community of nations, over Suez policy. Collective action could not be mobilized, and independent action by Britain and France has bogged down in international discord.

But let us turn from the political aspects of the situation to the economic. For Canadian business, the deterioration in the international situation has broad implications. One thing is certain, the present crisis could significantly alter the business situation, though the nature and size of the impact cannot be determined at this time. Serious economic repercussions are already being felt in Europe as a result of the blockade of the Suez Canal. The economies of Western European countries are dependent on oil from the Middle East. A slow-down in production is inevitable. The fires of inflation will be fanned. A dollar crisis will recur. In these circumstances it will be surprising if the pattern of international trade is not altered. Scarce dollars are likely to be diverted to the purchase of all important oil supplies. Thus, Canada's exports to European markets may be adversely affected.

It now seems apparent that the Russian sphere of influence has been broadened to include at least part of the Middle East. This, together with a revival of the cold war, means that the day when money for defense can be diverted to more useful purposes is postponed indefinitely. The danger of a major war between Russia and the free nations of the world does not appear imminent but it is apparent that the price of freedom in today's world is vigilance and preparedness. Thus, a further rise in defense expenditures may be unavoidable.

Canada has no desire to benefit from another country's misfortune, but the Suez situation is not of our making. One sector of the Canadian economy that is likely to gain is the oil industry of Western Canada. With the oilfields of the Middle East in jeopardy the large oil companies are certain to speed up their exploration and development work in Western Canada. Furthermore, a broadening market for Canadian oil on the Pacific Coast is already apparent. The increase in tanker rates has improved the market prospects for Canadian crude.

Canada is a fortunate nation. As 1956 draws to a close we are again in a position to look back on our achievements with pride and satisfaction. Once, again, the dynamic character of the Canadian economy has been demonstrated. It has been another record year. This is in line with our expectations a year ago, but we have achieved more than we thought possible a year ago. There has been a further gain in the standard of living. More Canadians are at work than ever before and the number of persons out of work and seeking jobs is at a minimum. Briefly, a condition of full employment prevails.

Twelve months ago, in describing business conditions in 1955, I remarked that Canadians had "produced more, imported more, exported more, earned more, consumed more, borrowed more, saved more and invested more than in any previous year." That statement applies with equal force to 1956.

Preliminary data indicate that gross national product for the year will be equivalent to $29.5 billion, an increase of more than 10%. This is a slightly higher rate of increase than recorded in 1955. But dollar figures can be misleading. Prices in 1955 were relatively stable whereas 1956 has been a period of rising prices. Probably more than a third of the increase in the dollar value of the gross national product this year has been due to higher prices. Thus, in real terms we did not make as much progress in 1956 as in 1955.

A high level of business activity with inflationary pressures constantly present has characterized the Canadian economy over the past 12 months. Not all industries have shared equally in the growing prosperity but over-all production is at, or approaching, the limits set by manpower, materials and plant capacity. The scarcity of skilled labor is particularly acute and it would appear that further growth in national output can only be achieved through increased productivity and enlargement of the working force. The latter points up the desirability of expanding the flow of immigrants into Canada and we are happy to see the Government accelerating its activities in this respect.

Continuance through 1957 of the remarkable rate of growth achieved during the past two years cannot be expected. Our resources are already strained to the limit and a rate of expansion equal to that of the past two years would increase inflationary pressures and the threat to stability which already exists.

Economic forecasting is a hazardous occupation at any time and this is certainly true at present in view of the unsettled international situation. Assuming a speedy and peaceful settlement in the Middle East crisis, the outlook for 1957 is favorable. Personal incomes continue upward and consumers remain in a confident spending mood. Some disturbance of our export trade is possible, but the expectation is that our shipments abroad will remain at a high level. As for capital investment, indications are that it will continue to strain our resources—both physical and financial. Capital expenditure intentions at mid-1956 were estimated at $8 billion but actual outlays will fall short of that figure to perhaps $7½ billion. There will be a large carryover into 1957 and big new projects are on the planning boards.

As we enter 1957 the major task confronting Canadians is the maintenance of a stable dollar and sound economic growth. These two objectives, it seems to me, go hand in hand. Without a stable dollar, sound economic growth is not possible. Achievement of these two objectives is the goal of the tight money policy about which there is so much discussion.

Three years ago we were afraid of deflation. Today, inflation rather than a depression is the main threat to economic stability. Both inflation and deflation are something to be resisted but one of the problems is that everyone wants to avoid deflation while many people seem to like inflation. Their fondness for inflation is revealed in their resistance to measures designed to contain inflationary pressures. It is only natural that there should be complaints about tight money from those whose plans for expansion are hampered. We are all human. Self-interest is a very human trait but our first concern should be the welfare of the community as a whole. To put it boldly—inflation should be everybody's business.

Students of economic history are well aware that inflation usually generates deflation. To put it another way, a bust usually follows a boom and the bigger the boom, the bigger the bust. This is a lesson of history we should not forget.

Considerable misunderstanding exists about what the Bank of Canada is doing and the purpose of monetary policy in the present situation. Its primary purpose is to stretch out the boom—to control the business cycle—as a means of ensuring economic stability.

For the misunderstanding that does exist the Bank of Canada must bear a large measure of responsibility. It had done little or nothing to tell its story to the public and to win the cooperation of the business community. Yet, understanding, cooperation and restraint on the part of all sections of the country is essential. Governments at all levels need to set an example by eliminating all unnecessary spending. Business should make a concerted effort to keep its costs and prices down. Labor should keep its wage demands on a realistic basis, especially as there is some evidence that recent wage increases have been greater than any rise in productivity has justified.

There is an impression abroad that the only obstacle to a continuing rapid rate of expansion are the financial restraints of a tight money policy. The physical limitations are just as great. In fact, tight money is a reflection of a tight supply situation in some materials and labor in particular.

It cannot be emphasized too strongly that the present tight money situation does not arise from a contraction of the money supply or of credit. The supply of money is about the same as a year ago. Bank loans are substantially higher. Central bank policy has been directed toward maintaining the volume of money at the same level as a year ago and restraining any expansion of credit. With demand for investment funds rising sharply, this has resulted in the money market tightening itself.

It seems to me there are three courses open to us—the present tight money situation, an inflationary expansion of credit, or the printing of money. There can be no doubt as to which is the most desirable under existing circumstances. With the economy operating at full capacity an increase in the money supply would result in higher prices and have little or no effect on actual production.

The policy of the monetary authorities has been receiving all the blame, if it can be called that, for the rise in the cost of borrowings. An interest rate is a price—the price of money, and prices are governed by the law of supply and demand. At the moment, the demand for money is greatly in excess of the supply. All the Bank of Canada has done is to permit the forces of a free market to express themselves in interest rates. For years, it kept interest rates down by expanding the money supply. To have continued this policy in the circumstances of 1956 would have been a violation of its statutory duty.

Present indications are that money will continue to be tight in the months immediately ahead. Despite the rise in interest rates and the international situation, investment intentions continue on a high plateau and the demand for funds continues strong. There is a possibility that money will become even tighter than it has been. During the past 12 months the chartered banks made additional loan funds available through the sale of government bonds. But bond holdings have been reduced to a point where further sales are most unlikely. As against this, there are indications that the policy of credit restraint is increasing in effectiveness and this may bring about a better relationship between the supply and demand for funds.

Overall, much more bank credit has been available to Canadian business in 1956 than in 1955. Call and current loans in Canada of the chartered banks were $775 million higher at the end of October, than a year ago, most of the increase occurring in the first half of the year.

Commercial loans have leveled off in recent months and the demand for bank credit seems to have eased somewhat. This, of course, raises the question whether there is need to impose additional measures of restraint at the present time.

The months which lie ahead may prove to be a real test for monetary management. The timing of a shift in monetary policy to resist any deflationary trends which might develop is of prime importance. Past experience would indicate that our timing has not been too accurate. It can be argued that easy money policies were carried on too long and too far when the boom was gaining momentum. Then again, it is apparent that shifts in monetary policy do not have an immediate impact on the level of economic activity. There is a lag. Thus, the authorities need to keep very close watch on the money market and business trends in the months immediately ahead.

New residential construction is one field in which tight money is having an obvious effect. Housing starts are down this year and a further decline is in prospect for 1957.

The over-all scarcity of lendable funds is not the only factor affecting new residential construction. A high proportion of all new housing starts in recent years has been financed by National Housing Act loans. At the present time funds are being diverted from N.H.A. loans because the yield on N.H.A. mortgages is out of line with the market.

When the insured plan for N.H.A. loans came into effect the hope was that a secondary market would develop for N.H.A. mortgages. The existing rate is not conducive to this. Pension plans and other investors are not interested in purchasing 5½% mortgages in the present market except at a discount.

While tight money and the N.H.A. interest rate have contributed to the decline in housing starts, they are not the only factors. The high cost of land and the lack of serviced land have had an adverse effect. There is also the question of housing demand. Reliable data in respect to the demand for housing are not available. However, we do know that housing completions in recent years have been substantially in excess of family formations. This is bound to affect demand adversely.

If and when capital investment levels off some measures may be necessary to encourage housing construction. Further liberalization of mortgage terms would seem undesirable. Perhaps a plan of insured mortgages for existing dwellings, similar to the N.H.A. mortgages for new construction, would be desirable. There is no fundamental reason why the buyer of a new house should have available to him better terms than the buyer of a good existing dwelling. The present discrimination against purchasers of existing dwellings results in distortions in the housing market. A plan of higher percentage insured mortgages for existing dwellings would broaden the housing market.

In a little over two years the banks have built up a portfolio of nearly $500 million in N.H.A. mortgages—a very commendable record. However, there is a practical limit to the amount of mortgages which the chartered banks may be expected to carry. With the great demand for other types

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*An address by Mr. Ashforth before Annual Meeting of the Shareholders of The Toronto-Dominion Bank, Toronto, Dec. 12, 1956.

Aiding the American Investor With a Better Investment Climate

By KEITH FUNSTON*

President, New York Stock Exchange

Predicting stock financing level is likely to jump 30% over last year to a new all-high of about $3.5 billion, New York Stock Exchange head proposes a basic tax program to help close the equity gap between that now being raised and future need of annual $6 billion average. Mr. Funstan outlines tax suggestions to stimulate such investment and break the deadlock between vital capital need and repressive taxes, and takes note of: (1) ample precedent recognizing the concept of tax-deferred treatment of capital gains fully reinvested; (2) 46 countries that do not impose capital gains penalties on the public's profits; and $200 billion of unrealized capital gains that is to a great extent potential growth money that's locked-in

We Americans have always been preoccupied with the future—probably because it has never disappointed us when it arrived. Today, a bright economic future is on the drawing boards. But there is one important aspect of it that has been overlooked—even ignored, that I should like to talk with you about. It is the investor, the fellow on whom, in large measure, all the rest depends. It is natural, I suppose, that at the Stock Exchange we should be particularly concerned about the investor. We have, of course, accumulated a wealth of data concerning him. We know how many millions of people he represents, where he lives, what kind of a job he holds, and how much he earns.

G. Keith Funston

At the same time, it's clear that the significance of the investor's economic contribution is not sufficiently appreciated, and that his problems seem to be of relatively little concern to others. In short, we acknowledge the investor's existence. But no one seems to be very worried about him.

The situation is not unlike that in which Noro Morales, the bandleader, found himself some years ago. He was a struggling young unknown. Worried by his anonymity, he hired a publicity man to noise his name about. Weeks went by, apparently without results. When he complained, the publicity man said, "Don't worry, Noro. Everybody's talking about you." Then, more weeks passed. Morales couldn't find a line in any of the columns. The trade papers ignored him. He called again. "Don't worry, Noro," he press agent said. "Everybody's talking about you. Everybody." "I know," said Morales, exasperated. "But what are they saying?" The publicity man paused. "Why," he blurted out: "They're saying: 'Whatever happened to Noro Morales?'"

Well, it is vitally important, as we face up to tomorrow, that we don't find ourselves asking, "Whatever happened to the American investor?" The nation today is on the verge of advances greater than any we have known. But such advances are likely to make unparalleled demands—not only on our resources and ingenuity, but also on our investment philosophy as well. There are two striking facts about our economic future to consider. The first is that the challenge is immediate — the years from now through 1965; the second is that its dimensions are ours to decide.

We enjoy, at present, a Gross National Product of over $400 billion a year. But by 1965, according to government estimates, this figure can be expected to rise another 30% to $535 billion. Or, if you prefer, there is Dr. Arthur Burns' recent, even more optimistic estimate: $600 billion.

The impact of this new output on our already high living standard — assuming relatively stable prices — will be both staggering and munificient. The ability to absorb an additional $200 billion worth of goods will be reflected at every level of our personal needs and wants. For the average family, it will very likely mean an after tax income of over $7,500 a year. It will mean a bigger house with an extra room on a larger lot; a second car for the family that now has one; better food cooked on a more efficient range; and more children and better communities to live in.

How Do We Make it Happen? The Need for Growth Capital—$360 Billion of it—Comes First. It is Enormous and Must be Met

Like all things of value, this future has a price tag. It reads: 360 billion dollars. This is the amount of capital American corporations will have to raise — the financial energy they must generate — to acquire just the plant capacity needed to meet 1965 goals.

Of this $360 billion, some $60 billion should be raised through the sale of new stock. This is an average of $6 billion a year over the next decade, if our future is to be financed soundly. You might well wonder, where will this kind of money come from? Well, institutional investors can be expected to supply about half of it. But the remaining $30 billion should come directly from us, the American people. And this represents a hitherto unknown scale of direct individual investments in equity securities — that is in common stocks. It is fully three times the rate of recent years.

It would be a great disservice, I think, to describe this equity target as anything but a difficult and monumental undertaking. But as Gerald Johnson, a shrewd observer of the American scene once commented: "What we need is not a flatterer who tells the American citizen what a wonderful fellow he is and what a wonderful thing it is to be an American. What we need is a challenger who will tell him what a difficult and dangerous thing it is to be an American, for the American doctrine was devised by brave men for brave men."

I have been told, many times by many people, that our common stock goal cannot be reached. I prefer to think this is another area in which we have the opportunity to confound the pessimists and exceed, as we have so often in the past, the most perceptive estimates of the optimists.

For we have the potential. We have seen it demonstrated this year. The 1956 volume of net new stock issues will probably show a jump of some 30% over last year — from $2.7 billion to an all-time high of about $3.5 billion. Here is a firm indication to businessmen like yourselves that we remain a venturesome nation able to market a rising volume of stock issues. But it also emphasizes the gap between what we are raising today — some $3.5 billion — and our goal in the years ahead — an annual average of $6 billion.

Closing the equity gap will unquestionably require an enormous effort. But there is a base to build on. It consists of the 8.6 million individuals who own stock in publicly-held corporations. Their number has jumped 33% in the last four years. Over one million people joined the stockholder ranks last year. Today they include one out of every 12 adults and one out of 10 if we include those who own shares in private corporations. They number more women then men. They engage in every business and profession and come from every walk of life. **Two-thirds of them have incomes under $7,500 a year.** They prove that shareownership is no longer the privilege of a financial elite. The wealthy few are, in fact, being replaced by what is quite literally a People's Capitalism.

Enough People Have Enough Dollars to Supply Needed Equity Funds: They Require a Healthy Investment Climate That Encourages Them to Venture

While undoubtedly the American people are not saving as much money as they should, even so it is easy enough to prove that they have more than enough funds to supply the equity dollars our expansion demands. Moreover, they have those dollars in a liquid form that makes it unnecessary to disturb their government bonds, their checking accounts, or the cash with which they meet day-to-day expenses. If, for instance, the nation's average adult population between now and 1965 were to put aside just 8 cents a day for stock investments — less than the price of a telephone call — the $30 billion total desired from individual investors could be met.

Realistically, of course, there are specific groups we must look to for the bulk of our equity needs. But in the middle and upper income ranges investors should not prove hard to find. Of the 10.4 million adults now earning more than $7,500 some 7.5 million—including millions in the business and professional ranks—do **not** own stock. Thus, the need is not so much for dollars as for people willing to venture them.

How, then, are they to be persuaded to join the nation's stockholder family — assuming, of course, that industry itself can be persuaded to finance a greater share of its growth by issuing stocks. Investors cannot be persuaded by eloquence or by promotional gimmicks. Nor will they be moved solely because the prospects for the future seem tempting. No, they will invest in stocks only when they have solid reason to feel the **climate** for investing is right.

Well, 1965 is not very far off. The time for creating the right climate is now.

At the stock Exchange, within our own area of responsibility, we are doing a great deal to establish such a healthy atmosphere. We have the conviction that our chief weather-making duty is to insure the continuance of a market that is honest, open and above board, and of a membership which is of unimpeachable integrity. Going further, we have conducted, in recent years, an educational program which has made substantial headway in spelling out the opportunities, risks and rewards of shareownership, and in dispelling many of the fears that once attached to stock investments. As part of our program, we have helped develop and encourage such investment techniques as the successful Monthly Investment Plan, a simplified method of giving stocks to children, and the growing number of Investment Clubs. These put share-ownership within the practical reach of millions. But we have recognized, of course, that dramatizing investment opportunities is not enough.

Our responsibilities cannot end there. And so, for years, through a massive educational campaign we have cautioned and counseled the public, emphasizing the yardsticks that should guide investors. We have stressed that people must understand the risks as well as the gains that accompany shareownership, and tailor those risks to what they can afford. We have explained that a steady income, cash reserves and protection against the unexpected should **precede** shareownership. And we have pointed out the urgency of getting the facts, seeking good advice from a reputable broker and staying away from tips and get-rich-quick schemes. Out of this educational effort, we are convinced, will come the best protection the investor can obtain against con men and gyp artists. It is one of the unpleasant facts of life that a few sharp promoters still operate on the fringes of the financial community, beyond the jurisdiction of the Exchange and the rigid rules that govern our members. For years we have helped to expose them. We will continue to do so.

The Exchange, however, controls only part of the investment climate. We operate under, but cannot establish, the over-all terms and conditions of investment policy. These are determined to a very large extent by government. And it can be said in this connection that for a venturesome nation, built on risk capital, the investment climate today, particularly as it concerns taxes, imposes some awesome burdens on the investing public—and on the nation's capacity for growth.

Three Impressions From Europe

Five weeks ago I returned from a European trip to seven countries and I should like to mention three strong impressions that still remain with me. The **first** is that European businessmen are no less concerned than we over the fate that too frequently befalls private investments abroad. This is, of course, a broad subject, uppermost in our minds now. It is not one that I can cover here. But in speaking of the investment climate it is important, I feel, to urge our government, in its foreign relations, and through the United Nations, to insist that while America recognizes the rights of nations to control their own resources, this principle must not be wielded like an axe. It must not be used to violate the sanctity of business contracts, or jeopardize private foreign investments made

Continued on page 23

*An address by Mr. Funston before the 61st Annual Congress of American Industry, sponsored by N. A. M., New York City, Dec. 6, 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.**

Carpet Industry—Discussion in "Industrial Bulletin"—Arthur D. Little, Inc., 420 Lexington Avenue, New York 17, N. Y.

Companies Paying Stock Dividends—Circular—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

Florida—Comparative analysis of all county-wide special tax School District No. 1 Bonds—B. J. Van Ingen & Co., Inc., 57 William Street, New York 5, N. Y.

57 Stocks for '57—Selected list—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

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

Latin American Iron & Steel—Brochure—The Chase Manhattan Bank, 18 Pine Street, New York 15, N. Y.

New York State School District Bonds—Study—Blair & Co. Incorporated, 44 Wall Street, New York 5, N. Y.

1957 Profit—List of selected securities for capital appreciation —Peter P. McDermott & Co., 44 Wall Street, New York 5, New York.

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.

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Allis Chalmers Manufacturing Co.—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

British Petroleum Co.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Brunswick-Balke-Collender—Report—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **American Potash & Chemical.**

Central Fibre Products Co.—Memorandum—G. H. Walker & Co., 503 Locust St., St. Louis 2, Mo.

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

Clary Corporation—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a bulletin on **Micromatic Hone Corp.** and on **Fibreboard Paper Products Corp.**

Fifteen Oil Company—Analysis—Underwood, Neuhaus & Co., Inc., 724 Travis Street, Houston 2, Texas.

General American Oil Company of Texas—Analysis—Winslow, Cohu & Stetson, 26 Broadway, New York 4, N. Y.

Jack & Heintz Inc.—Memorandum—Ross, Borton & Co., 1010 Euclid Avenue, Cleveland 15, Ohio.

Kerr McGhee Oil Co. — Memorandum — McDonnell & Co., 120 Broadway, New York 5, N. Y.

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

Maine Turnpike—Bulletin—Tripp & Co., Inc., 40 Wall Street, New York 5, N. Y.

McLouth Steel Corporation—Analysis—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also available are analyses of **American Marietta Company, Speer Carbon Company, Wisconsin Power and Light Company,** and the **Froedtert Corporation.**

Northrop Aircraft—Data—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Campbell Chibougamou Mines, and South Carolina Electric & Gas.**

Northwestern Steel & Wire Co. — Memorandum — Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Producing Properties Inc.—Memorandum—Rauscher, Pierce & Co., Mercantile Bank Building, Dallas 1, Texas.

San Juan Racing Association, Inc.—Report—Hunter Securities Corporation, 52 Broadway, New York 4, N. Y.

Sunstrand Machine Tool Co.—Memorandum—Bacon, Whipple & Co., 135 South La Salle Street, Chicago 3, Ill.

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Observations . . .

the Elections in early November did the interest rate's rise act as an effective correlative stock market factor.

Self-Contradictory Interpretations of Suez

The Suez and general Middle East crises, as are typical with the war factor, were successively interpreted bullishly and bearishly. On the one hand during the August to November fluctuations military spending and the general inflationary attributes were stressed, and on the other, midst or after market declines, the "obviously unsettling" connotations of international crisis were stressed.

Death of a Seasonal Tradition

Traditionally regarded as plus-sign Santa welcomers, the retail sector of the stock list during the last quarter of *this* year registered a steady decline without worthwhile recovery. And this in the face of news of satisfactory sales achievement.

* * *

So again we see that only the "time-less" appraisal of the value of individual issues constitutes a feasible investing method!

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.

Dec. 1-6, 1957 (Hollywood Beach, Fla.) Investment Bankers Association Annual Convention at Hollywood Beach Hotel.

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

Hutton Adds Three

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — John H. Kaufman, Jack H. Sederlund, Jr. and Earl H. Steiniger have become associated with E. F. Hutton & Company, 623 South Spring Street.

Joins J. Logan

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Phillip Mael has become connected with J. Logan & Co., 2115 Beverly Boulevard. He was formerly with California Investors.

Walter Perry Opens

SOUTHPORT, Conn. — Walter Perry III is conducting a securities business from offices at Westway Road.

"World Bank" to Offer $100,000,000 of Bonds

The International Bank for Reconstruction and Development proposes to make an offering of $100,000,000 20-year bonds during the month of January, Eugene R. Black, President, announced (Dec. 27). The issue will be sold through a nationwide underwriting group under the joint management of Morgan Stanley & Co. and The First Boston Corp.

It is expected that the offering will be made between Jan. 9 and Jan. 15, and that the yield should be between 4.30% and 4.40% to maturity.

Several features will be incorporated in the new offering designed to meet operating practices of the World Bank and current market conditions.

Since disbursements on loans granted by the bank are usually made over a period of several years, the bank, in addition to offering bonds for regular delivery, will extend to certain institutional purchasers of bonds of this new issue the privilege of making delayed payments giving them a selection of delivery dates between April 1, 1957 and Oct. 1, 1959. This arrangement is expected to serve the dual purpose of coordinating a portion of the bank's borrowings with its disbursements and of making it possible for purchasers to arrange their payments to suit their individual preferences in the light of their own projected cash positions.

The bonds will be non-redeemable prior to Jan. 1, 1967. During the 10-year period 1957-1966 when the bonds will be non-redeemable a purchase fund comprised of equal monthly amounts aggregating 5% per annum will operate to purchase bonds available in the open market at prices up to 100% and accrued interest. Beginning in the middle of 1967 a mandatory sinking fund will be in effect which will retire $5,000,000 of the bonds in each year to maturity.

Gartman, Rose to Admit I. G. Kaufmann

Gartman, Rose & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, will admit Irving G. Kaufmann, member of the exchange to partnership on Dec. 31.

Leo J. Goldwater will retire from the firm on the same date.

Tucker, Anthony Will Admit New Partner

BOSTON, Mass. — Tucker, Anthony & R. L. Day, 74 State Street, members of the New York Stock Exchange, on January 7th will admit David O'Leary Jr. to partnership.

Lester, Ryons Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — John W. Jones, Jr. is now affiliated with Lester, Ryons & Co., 623 South Hope Street, members of the New York and Los Angeles Stock Exchanges. He was formerly with Hill Richards & Co.

A Prosperous Textile Era Ahead

By JOHN M. REEVES*

Chairman of the Board, Reeves Brothers, Inc.

The threshold of a truly prosperous textile era, of greater stability and predictable profits, is envisioned by Board Chairman Reeves and is predicated upon a wide variety of forces which holds a promise of a better next five years than the past five years. Specifies how this country can absorb 250,000,000 yards of Japanese fabric without harm, and urges defeat for the Organization For Trade Co-operation bill.

Not that we have overcome all our problems, by any means, but we have come a long way since I first entered the textile business in 1917. Despite our current problems, we are inclined to overlook, I think, many of the truly remarkable gains made in this short period of time, especially in the light of the fact that our industry is many thousands of years old. Most important, we have progressed to a point where I now firmly believe we are finally on the threshold of a truly prosperous textile era . . . an era of far greater stability . . . an era of more predictable profits . . . and an era greater in importance to the economy as a whole.

John M. Reeves

I'll admit those are rather high sounding words and I'm told that for many years I have been accused of being a "perennial optimist." Not long ago I heard a story, which I believe was facetious, of a newspaper editor who said he always kept type standing that says, "John M. Reeves sees improvement over the next six months."

Well, perhaps I haven't been right with *every* prediction, and perhaps at times I've been premature, but I'd like to review some of the reasons for my continuous optimism. They start, pretty much, with the improvements I had reference to a minute ago.

Grounds for Optimism

During the years 1921 to 1938 our industry as a whole operated at a deficit. During the years 1951 to 1955 it operated at a profit. Both periods, I might add, were peacetime years, except for the latter part of '51 and early '52, when the Korean conflict was ending and a year, if anything, which was detrimental to textiles. It wasn't a big profit, only 2.2% of sales and only half the average profit of all other industries combined, but nevertheless the textile industry finally could prove, over a reasonable length of *peace* time, that many of its difficulties were at long last being overcome. And furthermore, the so-called cycles of peaks and valleys have now evened out considerably.

Perhaps you might compare our industry to a game of golf. We're so used to being in the rough that we're now past-masters at pitching out. What I'm foreseeing are fewer hooks and slices off the tee.

Another tribute to our industry, during this 1951-55 period, is that management methods were greatly modernized. This in itself is remarkable because the centuries-old structure of the textile business is unlike any other major producing industry. When you consider that more than 90% of our output is manufactured by as many as 600 independently owned companies compared, for instance, with only 5 companies in the automobile industry, one wonders sometimes how any form of stability is possible in our present-day, streamlined and highly competitive markets.

Therefore, I believe great tribute is due to the inspired leaders in our industry today. I wish time would permit my discussing some of the things . . . really good things . . . that ought to be told.

Similarly, acclaim should be given to the leaders of many valuable, and well organized garment manufacturing associations. However, I do wish to pay special tribute to the Southern Garment Manufacturers Association's "Technical Advisory Committee." I had the good fortune to serve for several years on this committee with Captain Whitsel and Ed Janes and know first hand of their accomplishments toward improved apparel styling and improved apparel manufacturing methods.

Increased Capital Outlays

Mill modernization is another part of this improvement picture that I'd like to mention. We have made many changes since the 1920's, and especially since World War II. Although there was a slackening off of loom replacement in 1954 and '55, it is gratifying to note that the textile industry is now once again preparing to expand its capital outlay on modernization.

Along with plant improvements, our wage scale today in the textile industry is far superior to what it's ever been. In view of the kind of labor conditions that existed, going back over the past 150 years, we have made a remarkable adjustment to date.

Newer industries, such as chemicals, electronics, and again automobiles could start out on — or quickly rise to — higher wage scales. But the textile industry, by being so long established could not adjust itself to such a basis suddenly. It had to be done over a period of time.

I think we can look with pride to the fact that most of us today have pension programs which were unheard of in prior generations. In addition, many of us now have special educational funds set up for deserving children of our employees. We have recreational facilities, organized athletics and all kinds of benefits that never existed when I first entered the business 40 years ago.

However, I believe we are lax today in our recruiting methods to stimulate new blood to enter the textile industry. Much more emphasis should be given to setting up textile courses in leading universities. After all, if educational facilities are scarce, how can we expect to get the prospective students the industry direly needs.

I might add that, along with employees in any industry, textile workers are today self-supporting and progressive in their living habits. They think independently and have a far greater freedom of how and where they want to work. I think this was evident, for example, in our recent election. I am convinced now there is in this country no such thing as a labor vote. In spite of the rantings of the so-called labor leaders, the average American makes his own choice.

I think this past election also indicates that there is no such thing as a farm vote, a racial vote or any sort of hyphenated vote—and that is as it should be. We are, first and last, Americans, and when we go to the ballot box, we cast our vote as our conscience and our best judgment dictate.

However, to get back to textiles, in spite of the criticism leveled at us from time to time, we can *all* be proud that our industry, which has eternally had the problem of making even a meagre profit, has been able and willing to achieve these improvements.

Now for a few words on my prediction that "we are on the threshold of a more stable era."

Young Adults Are Willing Spenders

Number one is the greater prosperity of our young adults. Not only are they prosperous, but they are prosperity *minded*. They have never known a depression. They think in terms of earning money in order to spend money, buying not just for needs but for wants. Furthermore, beginning this year, and going on to the middle 1960's, these prosperous young adults will be 15 to 20% greater in number than they are today.

Number two is the fact that their ability and their desire to buy can be satisfied as never before with new improved fabrics, and new exciting wearing apparel as well as household soft goods.

Coming along right behind the young adult group are the teenagers, growing in numbers every year. All of them ready and willing to spend freely on their apparel.

Important, too, is the modern way in which this wanted merchandise is being advertised and promoted. Why, just pick up any copy of a periodical and compare today's amount of soft goods advertising with the amount printed only ten years ago. Note the thickness and circulation figures of all fashion magazines, many of which didn't exist 10 to 15 years ago.

Note the entrance of television as a huge force toward stimulating the buying of soft goods. Imagine how much stronger this medium will be when reception is in color. Newspapers too, are ever increasing in their impact on soft goods markets. I am advised that the newspaper linage of nationally advertised wearing apparel has gone up almost 40% during the past five years.

How, then, with all these forces working in our favor, can we fail to do much better in the next five years than we did in the past five years.

Quotas for Japanese Goods

Of course no discussion of the textile outlook can be made today without taking into account the Japanese problem. Perhaps some of you may recall that two years ago when this competition first appeared as a serious threat, I pointed out that the only solution was a system of quotas. For a while—it was about six months—no one would listen. When the threat started to become an actuality, only then did we begin serious efforts to get our Federal Government to set up regulations.

I won't bore you with a detailed review of this problem, because I'm sure you're familiar with all its aspects—it has been covered most adequately by *America's Textile Reporter* and several other publications—but there is one point I'd like to make. This country *can* absorb 250,000,000 yards of Japanese fabric next year, but *only* under two conditions. Quotas must be specified *in advance* for *each* type of fabric, and a more equitable balance of each type fabric must be arrived at. If this is *not* done, our industry will be in continual upheaval until it is done. No one of us can function efficiently and no one fabric can be marketed properly if we don't know where the lightening will strike next.

There are a few other points I would like to mention. Undoubtedly the bill authorizing the O.T.C. —"The Organization for Trade Co-operation"—will come up again in Congress next year. We should be vigilant to see that it is defeated.

World Situation

Finally, it goes without saying that any business prediction must be conditioned upon the world situation. The current mid-European and Egyptian strife presents a threat that could seriously upset and retard the timetable of our progress.

I have just returned from a European trip and was in Vienna only a few weeks ago, just as the Hungarian revolt broke out. The on-the-scene stories I heard are appalling. One informant, who came across the Austrian border, told me that at least 120,000 defenseless men, women and children had been slain by the Russians.

In the face of this and other depredations too numerous to narrate, how can we have any faith in the promises of these vandals? The Egyptian affair, though questionable, at least served to build a fire under the U. N. We can only wait and pray that the U. N. will prove to be the hoped-for instrument for settling world affairs it was set up to be.

*An address by Mr. Reeves before the Annual Award Luncheon, Textile Section of the N. Y. Board of Trade, Dec. 6, 1956.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Eric & Drevers will dissolve December 31st.

Howard S. Cullman will retire from partnership in Cullman Brothers December 31st.

Lewis G. Salomon will retire from limited partnership in F. L. Salomon & Co., December 31st.

Stevens, White & McClure Formed in Fla.

TAMPA, Fla.—Stevens, White & McClure, Inc., members of the Midwest Stock Exchange, dealers in listed and unlisted securities, municipal bonds and mutual fund shares, has been formed by the merger of Stevens, White of Ft. Myers and Louis C. McClure & Co. of Tampa.

Officers of the new firm are Louis C. McClure, President; Ernest S. Stevens, Executive Vice-President; Louis M. Saxton, First Vice-President; A. Burdett White, Treasurer, and Dorothy D. Perkins, Secretary.

Main office will be located at 617 Madison Street, Tampa, with branches at 2310 First Street, Ft. Myers, and 2322 Ponce de Leon Boulevard, Coral Gables. Mr. Stevens will be Manager of the Ft. Myers branch and Louis M. Saxton of the Coral Gables office, with L. Blanche Bowen and L. E. Lanford will also be associated.

Tweedy, Browne & Reilly Announce

Effective Jan. 1, Thomas P. Knapp will be admitted as a general partner in the firm of Tweedy, Browne & Reilly, 52 Wall Street, New York City, dealers in over-the-counter securities. Forest B. Tweedy, a partner, will retire on the same date.

Mr. Knapp was formerly with Graham-Newman Corp.

CORRECTION

In reporting the scores for the golf tournament at the Investment Bankers Association Convention in Hollywood, Florida, we have been informed that the score for the Alden H. Little Trophy was actually a tie between Russell M. Ergood, Stroud & Company, Incorporated, Philadelphia, and Andrew J. Lord, Jr., Eaton & Howard, Incorporated, Boston, with Mr. Ergood winning on a toss for first place.

Also it was inadvertently indicated that Mr. Lord was affiliated with Lord, Abbett & Co., New York. He has been with Eaton & Howard, Incorporated of Boston, for the past several years.

V. J. Zergebel Opens

ALLWOOD-CLIFTON, N. J. — Vincent J. Zergebel is conducting a securities business from offices at 76 Surrey Lane.

J. S. Zurkow Opens

Jerome S. Zurkow is conducting a securities business from offices at 450 West End Avenue, New York City.

New Process of Competition To Maintain Dynamic Growth

By ROBERT G. DUNLOP*
President, Sun Oil Company

Asserting "competition is not an end to be glorified in its own right, but a method whose sole purpose is to serve the interest of the people," Sun Oil head executive states that classical concepts of competition are at odds with "the realities of progress in competing more effectively to serve the consumer." Mr. Dunlop compares old method of distribution with present dynamic practices of the oil industry which make allies of producers and local merchants, improve retail competitive effectiveness, and create a team "which pits its talents against other similar teams that likewise are seeking to win the patronage and loyalty of the consumer." Agrees we should re-think our anti-trust policy in order to permit realistic competitive concepts.

Robert Browning observed that "progress is the law of life." I think we might observe that misunderstanding is frequently the law of progress. Certainly it often seems that way as regards American industry. New ideas developed by the realities of progress constantly clash with older concepts of the way things "ought" to be. Often the grip of the old is so strong that the new is rejected, or delayed, or perhaps accepted but still looked upon as somehow wrong.


Robert G. Dunlop

Let me give you an example. During the construction of the China-Burma-India pipe line, the native laborers of India were supplied by the U. S. Army with long-handled spades and wheelbarrows. Demonstrations were held to instruct the natives in the use of these tools, and the Army trainers departed, happy in the thought that now the work would go forward at greater speed.

But the natives' idea of how to dig a trench involved the use of a short - handled, hoe - like instrument called a kadalie, and baskets in which to carry, on one's head, the dirt. Within 24 hours the spades had been discarded for the kadalies and the wheelbarrows, shorn of wheels, became the new-style baskets for head-carrying. Undoubtedly the natives wondered why these crazy Americans thought such a heavy basket necessary.

We may be amused at such an incident, but human nature is much the same the world over; it varies only in degree. Do you know that in the United States, there is an average lag of about 15 years between the time a new drug is tested to the satisfaction of the clinical experts and the time the use of the drug becomes common in the medical profession?

Dr. George Gallup recently cited this fact in expressing concern that similar investigation shows a time lag of 12 years between the satisfactory testing of new theories in public opinion surveying, and the time the theories become generally accepted and used by public opinion analysts.

Now, the two examples of conflict between old ideas and new practices I have mentioned deal with concrete objects—spades and drugs. Ever so much more is involved in conflicts between old ideas and new practices which concern abstract theories on which almost everyone feels he's an expert. I have economic theories specifically in mind.

Today I want to talk with you about two theories or concepts of marketing. There is conflict between these concepts, and the conflict creates problems for you and for me.

Old Distribution Concept

The first concept I shall call the **peddler concept of distribution.** If you think back to the early days of oil marketing—from the days when gasoline was sold at general stores and blacksmith shops and, by and large, up through the period when the divided station selling several brands was the rule—you see the peddler concept in action. The purpose of the marketer was to dispose of his product to anyone who would buy it. Distribution, in a strict sense, was accomplished—that is, the product managed to get from the manufacturer to the consumer in response to existing demand.

Let us, for a moment, examine the competitive ramifications of this system.

First, it seems to me inherent in the peddler concept that the producer of goods thought not so much in terms of consumers, but in terms of which merchants within convenient reach had the cash—or the proper amount of credit—to take a shipment from him.

Second, the producer lost most of his interest in his goods the moment he had delivered them to the merchant.

Third, the amount of competition which existed in the marketplace of consumption was that amount which the merchant, often lacking in advertising and merchandising skills, as well as in financial resources, was able to generate.

In calling your attention to this concept, I have drawn an illustration from the oil industry—from the days when a drum of kerosine was dropped at the country store. Examples could be drawn with equal ease from a number of other industries.

Consider shoes, for a moment—in the days of mother and father, or perhaps grandmother and grandfather. When Junior was taken to the local store—usually known as the "clothing" store—how often it was discovered that old Mr. Jones had an assorted collection of broken lots from three or four different manufacturers. If Junior was lucky, he might find a style of shoe that suited his fancy in a size that fitted his feet. Or perhaps Mr. Jones would suggest that in only a minute, with his handy shoe stretcher, he could make a "B" width in the "C" that Junior required.

From the standpoint of those who attack advertising as an economic waste, Mr. Jones' operation was ideal. He didn't advertise. And such advertising as the shoe manufacturer sponsored only proved the critics' point: it was of little real consequence—first, because it was largely ineffective in directing consumers to the store where the particular brand of shoes could be purchased; second, because the customer who managed to locate the right store faced odds against finding the style and size he wanted. The merchant, having spread his inventory investment over too many brands, had too limited a selection in any one brand to satisfy all who were stimulated by advertising to ask for it.

From the standpoint of those who contend that competition is restrained when a merchant concentrates on carrying a full line in one brand, to the exclusion of other brands, the situation of Mr. Jones' store is again ideal. Mr. Jones carried a little of them all. Presumably, his operation represented the epitome of open competition in action.

While to the theorist Mr. Jones' type of operation seemed ideal, to the realist there were two things wrong. Very few who were involved in the process of this peddler concept of distribution seemed to be deeply and continuously interested in the consumer. Few were worried very much about his tastes, the satisfaction of his wants, or his pleasure with his purchases. Even fewer were busy stimulating his desire for greater consumption, and thus adding to the momentum of trade and the expansion of economic activity.

No one worried about Mr. Jones either — except that he pay his bills. His inadequate business methods may have forced a shoestring existence upon him. But none of his suppliers could afford to help him improve his business and merchandising skills. He was only a part-time representative for any one of them, and generally a poor representative for all of them. At all events, he was soon to face the necessity to adapt or to go bankrupt. A revolution in distribution was coming which both abetted the accelerating pace of mass production and mass consumption, and was the creature of it.

New Dynamic Distribution

That brings to me the second concept I wish to discuss with you today, and I shall identify it as **dynamic distribution.** No better example can be found than in the marketing of gasoline. An equally good example is the distribution of automobiles. Other industries have made substantial progress in the same direction, and some still lag far behind. I recognize, of course, that the nature of the product plays a great part; some products lend themselves to the principles of dynamic distribution to a greater degree than do others.

What are the ingredients of dynamic distribution? Here is the recipe I would suggest, and again let me emphasize I speak not as an expert but as a kibitzer.

The first ingredient, it seems to me, is a direct and active interest in the consumer. (As a consumer, aware that a large number of producers have a direct and active interest in **me,** I can only say that "something good will come of that.")

Because of his direct and active interest in the consumer, the producer establishes an identification by which the consumer will know his product. He seeks to communicate directly with the consumer concerning the merits of his product and to persuade the consumer to try it.

The producer is vitally interested in seeing that his product is conveniently available to the consumer. If services are associated with the consumption of his product, the producer is deeply concerned to see that the services are properly performed. The producer's interest in his product continues beyond the point of sale and into the question of how satisfactorily the product performed

Continued on page 22

*From an address by Mr. Dunlop before the Oil Industry IBA Group, St. Louis, Mo., Dec. 3, 1956.

From Washington Ahead of the News

By CARLISLE BARGERON

Although the much dramatized tillers of the soil are becoming fewer and fewer in relation to the rest of the population they are still politically highly articulate and, notwithstanding that the rest of us heard about them and their problem aplenty at the last session of Congress, we are apparently to hear even more about them at the forthcoming session.


Carlisle Bargeron

In this writer's experience in Washington the problems of the farmers have always been to the forefront. I have seen almost entire sessions of Congress devoted to them. Certainly, several months of the last Congress were devoted to them and it is my firm belief that in the controversial legislation that went back and forth, it meant scarcely $100 a year to the average farmer whichever way the legislation went.

But just as in Russia where political heads fall because of the lack of production, in this country political heads fall because of too much production. It is surprising, however, just how few fell in the last election but both parties, nevertheless, are nervous about what did happen.

Republican statisticians have already come up with figures on their Congressional losses in farm districts. They will be used at the next session against Secretary of Agriculture Benson and in the advancement of arguments that the Republicans simply must be more "liberal" towards the farmers.

Frankly, these statistics are not very convincing. In several places where the statisticians claim a Republican candidate lost because of farmers' defection, there were many other factors such as the impossible personality of the Republican candidate. The plain fact is that organized labor was more responsible for the Republicans' failure to carry Congress than any farm unrest.

But the fact remains that in the next Congress there will be plenty of rural Republicans just as loud-mouthed as the Democrats that "something must be done for the farmer."

What seems to be a very sensible plan is that of Senator Homer E. Capehart of Indiana, advocated at the last session, in his campaign, and to be reintroduced at the next session. The Senator calls his plan a "permanent" solution to the farm problem. He says that all of his adult life there has been a farm problem except in times of war. He says that ever since the Department of Agriculture was established in the Administration of Abraham Lincoln all of our agriculture research emphasis has been on how to help the farmer produce more. There has been relatively little research on what the farmer should do with his increased production.

So his plan calls for an appropriation of at least $100,000,000 to set up a "crash" program of research in increased industrial uses of farm products. There has long been this sort of research and it has advanced some 11 uses which are being held back only because of the inability to make them competitive.

Ever since his bill was introduced at the last session of Congress thousands of words have been written in newspapers and magazines about the possibilities of this research. The Republicans at their San Francisco Convention endorsed the principle and the President has appointed a commission to make preliminary studies on what can be done.

But strangely enough Senator Capehart's name appears in very little if any of the publicity. Men who have been plodding along with the subject for many years have become revitalized and their names are appearing in the publicity about a "most significant advance" in agriculture.

Well, it is a fact that the idea of research in increased industrial uses of farm products was not original with the Senator, but it was his great imagination and energy that brought about the emphasis on it now.

Just how his proposed "crash" program of research will shape up I don't know, but there seems to be reasonable assurance that the appropriations for research on increased uses of farm products will be greatly stepped up and they may provide for subsidies of some farm products to make them competitive in the field of commodities which industry now uses. This can bring some opposition as, for example, from the oil industry. Two of the foremost matters on the boards of the scientists are the use of subsidized grain for alcohol to be blended with gasoline and the making of fuel oil out of grain.

To Form Woodcock Hess, Moyer & Co.

PHILADELPHIA, Pa. — The investment business of Moyer & Co. and Woodcock, Hess & Co., Inc., member of the New York Stock Exchange, will be merged and Woodcock, Hess, Moyer & Co., Inc., 123 Broad Street South, will be formed effective January 1st.

Wm. E. Pollock Co. Elects Officers

Wm. E. Pollock & Co., Inc. Government Municipal Bond dealers announce the election of Arnold M. Cowan as Vice-President in their Beverly Hills, Calif. office 9643 Santa Monica Boulevard and Clarence B. Ruch as Treasurer in their New York office, 20 Pine Street.

Harry D. Weiss Opens

YONKERS, N. Y. — Harry D. Weiss is engaging in a securities business from offices at 30 South Broadway.

Lincoln Rosen Opens

NEW ROCHELLE, N. Y. — Lincoln Rosen is conducting an investment business from offices at 150 Overlook Circle.

Business and Financial Forecast for 1957

By ROGER W. BABSON

Noted Babson Park investment analyst surveys the gamut of business, financial, stock market, international, and money factors in order to offer advice and predictions for 1957.

Both presidential candidates, in their pre-election speeches, promised Peace, Prosperity, and Progress. They stated that they must do this in order to enforce the Employment Act of 1946. This is the basis of my Outlook for 1957, tempered of course by Russia.

Roger W. Babson

(1) World War III will not start in 1957.

(2) 1957 will witness gradually increasing inflation.

(3) Manufacturers will be faced with higher costs for both materials and labor.

(4) All businesses will be confronted by increased competition, both within their own industries and from other industries.

(5) More advertising will be necessary in 1957 if profits of manufacturers and retailers are to equal those of 1956.

(6) Failures will increase in 1957, both as to numbers and liabilities. Thousands of small concerns will be wiped out. One or two of the largest corporations will face bankruptcy or re-organization.

(7) Cost of living will rise slightly during 1957.

(8) Most labor unions will hesitate to make public fights for higher wages, but will work for shorter hours, pensions, and "fringes."

(9) Europe must pay so much more for oil that it will have less money for purchasing other goods.

(10) Unexpected events will occur during 1957; however, as a whole, business will remain fair, but with smaller profits.

Money Outlook

(11) As foreign countries must pay in gold or dollars for oil, their industries will be handicapped, unemployment will increase, and pressure for aid from the United States will be greater.

(12) The Federal Reserve Board will not relax its restrictions so long as we have full employment in the United States; but if unemployment increases we may expect a relaxation. I am very glad Mr. Robert Cutler will again be Mr. Eisenhower's adviser.

(13) Owing to the tremendous number of employees, suppliers, and retailers dependent upon the large corporations, these will be first to receive bank funds.

(14) Many plans for expansions of plants, by both big business and little business, will be postponed. Most corporations will find it difficult to get new short-term money at any price in quantity; while long-term financing will be too expensive.

(15) Tight money will cause state, municipal, and town governments to postpone plans for building roads, schools, and hospitals except in cases where the Federal Government pays most of the cost. This will put a damper on many lines of business.

(16) Owing to these increased money rates, state, municipal, and town bonds, although tax free, have been declining rapidly in price. Most financial advisers forecast much lower prices for such securities. It is possible that the postponement of such building plants may so diminish demand for such money that these non-taxable bonds will sell at higner prices before the year is out. This postponement may also reduce the price of steel and other materials.

(17) The money managers for each corporation, large and small, will now arrange their financing needs for two years by either securing the necessary funds now or reducing their requests.

(18) Prices of corporation bonds will not recover so quickly as the non-taxables. I forecast lower prices for most corporation bonds.

(19) Many of the smaller and newer corporations will be much disappointed by their inability to secure funds during 1957, except by selling convertible preferred stocks on terms very favorable to investors. It is well to issue such securities when money rates are low because the advantages continue for many years; but not when money is tight, as such securities then tie up the borrower for a long number of years at high rates.

(20) This means that 1957 will be a good year for investors to switch from low-yielding stocks to attractive bond issues.

Real Estate Outlook

(21) Home building, corporate expansion, and municipal improvements will decline in 1957. Therefore, it will not be a good year for speculating in real estate.

(22) Interest rates on mortgages will be higher in 1957. Loans not "federally" guaranteed will require larger margins.

(23) Real estate in large cities will continue inactive with declining prices due to lack of parking facilities.

(24) Suburban real estate will continue active, but fewer new houses will be built. Houses will be for sale by executives who have lost their well-paid jobs.

(25) Purchasers will give more attention to the size of the lots than to the houses. Better locations can be secured by buying existing houses. Modern kitchens will become a "must."

(26) Acreage near proposed shopping centers will be excellent for speculation. The automobile will continue to raise havoc with real estate prices, helping some locations and hurting others.

(27) New inventions in connection with heating, lighting, and other features will make most older houses obsolete.

(28) Large commercial farms will continue prosperous. Small farms on the fringes of cities will be more valuable. The outlying medium-sized farms will be both expensive to operate and hard to sell.

(29) The nearness to schools, churches, stores, and bus routes will become a more important factor in the re-sale of homes.

(30) Those wishing to own a well-located home to occupy will find 1957 a good year to buy or build; but a dangerous year for speculation.

Stock Market Outlook

(31) It is foolish for anyone to now forecast the stock market for 1957. The Dow-Jones Industrial Average, now around 490, may decline to 400 or advance to 600 during 1957.

(32) All investors will want "safety," but wise investors will first decide whether they also want "income" or "profit." Only by luck can you obtain all three features with certainty during 1957.

(33) Investors can buy, during 1957, well-seasoned preferred stocks (preferably cumulative) which will give, with safety, a yield of near 6%.

(34) During 1957 good utility stocks should be attractive for yield and marketability. The demand for electricity will continue to increase throughout 1957.

(35) The above two recommendations apply to those in moderate income tax brackets. The investor in medium or high brackets will buy during 1957 non-taxable state, municipal, or town bonds carrying "full faith and creoit." Taxes will gradually increase during 1957, and non-taxable bonds will be more in demand from wise investors.

(36) I am not now prepared to advise readers who do not care for income, but only for profit. As above stated, the Dow Jones Industrial Average may approach, during 1957, either 400 or 600. It will be very easy to make a mistake by either buying or selling stocks at this time, except for intelligent switches. I am willing to say, however, that readers should not get panicky and sell their oils. Even Gulf Oil, which has the largest interests in the very rich Middle East fields, should not be sold.

(37) All sensible investors will carry good bank balances and reserves during 1957 so as not to be caught, whatever happens.

(38) There should be no panic in the stock market during 1957. Stocks will either fluctuate near their present levels or else will gradually slide downward or upward. It will be risky to borrow money to buy stocks in 1957; rather, one might sell stocks to get out of debt.

(39) The way to make money in the stock market is: (1) Confine your purchases to the stocks of the leading companies in each industry. (2) Diversify moderately and do not try to pick out winners, remembering that, whether you buy or sell, someone (probable as smart as you) is doing the opposite at the same time. (3) Store up cash when most people are bullish; use this cash to buy stocks when most people are bearish.

(40) We are no longer on the Gold Standard but on a Political Standard. Although the Law of Action and Reaction will ultimately rule, yet periods of prosperity can artificially be extended by manipulating money rates, subsidies, and other financial props.

(41) Every reader should have a little stock in one of the local banks in which he has his account. Bank stocks should make money during 1957, whatever the "blue chips" do.

International and Other Affairs

(42) During 1957 the Administration will do everything possible to keep us out of war. It certainly will not get us involved with England, France, Israel, or their allies.

(43) So long as President Eisenhower is in good physical condition (as Commander-in-Chief), he will back the United Nations with our Army, Navy, and Air Force. This is the only way in which he will be tempted ever to enter World War III.

(44) The United States will not use the A-Bomb or H-Bomb during 1957 or give these bombs to any other nation. However, to save the United Nations, President Eisenhower will give that organization all the bombs it wants.

(45) 1957 should be a good year to make tax-exempt gifts to colleges, hospitals, and other worthy causes. You, however, should give a stock which shows you a profit, and let the beneficiary do the selling. 1957 should be an especially good year for such institutions to make drives for funds.

(46) Householders will avoid making unnecessary purchases on instalments until the international situation clears. Several feasible plans are being considered, one of which is to have a very small tax on every gallon of oil moving through the Canal with the understanding that the money will be used for financing the Great Dam on the Nile River which the Egyptians so much need. This would make unnecessary any expropriation of the rich Middle East oil reserves and any renegotiations. Either expropriations or renegotiations will scare our investors out of making further foreign investments.

(47) The big thing that Russia wants is not so much the oil fields as freedom to pass through the Dardanelles. This will be an important feature of a settlement of the Suez Canal problem. I further forecast that the Republic of Panama will attempt to undo the "steal" which we perpetrated in 1904, in order to build the Panama Canal.

(48) I would be unfair to readers of this Forecast not to mention the great importance of Mr. Eisenhower's health. In connection with any building, business, investment, or other program, it should be continually kept in mind.

(49) Better fed and more intelligent populations, both in the United States and elsewhere, will continue to increase. Important new discoveries and inventions will take place. Twenty years ago we were enjoying the prosperity brought on by the Electrical Era. Then followed the Motor Car and Oil Eras which we have recently been enjoying, plus a Chemical and Building Boom. These coming together account for the great prosperity of the last ten years. Sometime we will witness a business readjustment, but it will be followed by a new Electronic and Nuclear Era. Therefore, be optimistic.

(50) In closing, I urge my friends to read the 8th Chapter of the Bible Book Deuteronomy, which was written 3,000 years ago and is as applicable today as ever. Incidentally, it mentions Egypt, which even then was an important factor in world events.

Geo. Woods Director

George D. Woods, chairman of the board of The First Boston Corporation has been elected a

George D. Woods

director of Commonwealth Oil Refining Company, Inc., it has been announced. Commonwealth Oil Refining Company, organized early in 1954, is in the process of completing construction of a new refinery near Ponce on the southern coast of Puerto Rico.

Joins Eastman Dillon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William H. Gross has become affiliated with Eastman Dillon, Union Securities & Co., 3115 Wilshire Boulevard. He was formerly with Dempsey-Tegeler & Co.

With J. D. Creger

(Special to THE FINANCIAL CHRONICLE)

WHITTIER, Calif. — Jerome B. Miller is now with J. D. Creger & Co., 13412 East Whittier Boulevard.

International Travel and Trade—Today and Tomorrow

By RALPH T. REED*
President, American Express Company

Stating new hotels may prove as important as new steel mills to economic health of some foreign countries, Mr. Reed maintains underdeveloped nations can consider expenditures on tourist facilities as basic capital investment. Offers 7-point program to help increase dollar income of overseas countries, including tourist exchange rates, large promotional campaigns, abolition of travel taxes and red tape, and training of tourist-handling personnel.

I'm thinking of the eloquent theme of this Forty-Third National Foreign Trade Convention —"Foreign Trade and Investment Promote Security and Prosperity."

Ralph T. Reed

It's a heartening thought that today these words have the agreement of almost all broad-thinking men of affairs. But as anyone knows who has been in business for 20 or 30 years, such general agreement with your guiding principles represents a big step forward. Remember that in 1926 a good many of our most powerful voices were strong against any program of action by private business or government which might further involve us in the affairs of the rest of the world.

The forces making for this change of attitude are many. We all come into contact with them frequently during our day-to-day business affairs. As one example, my own company has direct dealings in 35 countries abroad through our own offices and correspondent relationships with most or all of the rest.

As a result, I often find on my desk problems having to do with import restrictions in Pakistan . . . building codes in Dublin . . . financial regulations in Australia . . . labor policies in Italy, and a dozen other unrelated matters of the same sort. These are the mornings when quite frankly I wish business today were just a little simpler.

But this is the tempo of our time—and, quite honestly, most of us enjoy it. It's truly an exciting dynamic tempo, that may mean great future progress throughout the free world. While the present Middle East crisis is having some effect on our calculations for the future, I believe strongly that we should retain confidence in a long-range upward curve. For the forces of economic progress in the world today are of great magnitude.

Importance of Mobility

In trying to define these forces that have so changed the face of the world in the last quarter century, I find one word cropping up again and again in my thinking: the word "mobility." The mobility of persons . . . of products . . . of techniques . . . of capital . . . of ideas. Of course, mobility has been speeding up steadily for the last two hundred years. But the progress we have made in mobility since World War I is immense, compared to anything that happened in the long decades and centuries before.

And this is just a start. The future potential for movement on every level could surpass all predictions — provided the world doesn't completely lose its sanity.

This morning I would like to touch on one or two aspects of this mobility as it relates to two fields in which development has been particularly marked — the mobility of people through tourism and the mobility of ideas. Both of these have an important relationship to foreign trade — which is, in essence, the mobility of commodities.

* * *

Tourism and Trade

In a sense, international tourism has always had a close relationship to international trade. I somewhat question whether in past years it has received the general recognition it deserves. It is a vast, diversified industry, involving many necessary functions and many widely separate areas of business activity; hotels; carriers; travel agents; entertainment, clothing and luggage manufacturing; sports equipment; and much more besides. But the very fact that so many activities benefit from tourism has made its effects extremely hard to measure accurately.

As a result, it appears that the economic implications of tourism were largely discounted until the post World War II period. For example, while there exist innumerable textbooks on the economics of nearly every conceivable form of international trade, I am aware of not one volume on the economic effects of tourism on world prosperity.

But today the economic potential of international tourism cannot be taken so lightly. This year alone we expect the U. S. tourist will spend about $1.2 billion in foreign countries and well over a quarter of a billion more on foreign carriers. These expenditures are enough to pay for almost a tenth of all the merchandise we sell to these countries. These totals are also equivalent to about 12% of the revenue secured by overseas nations from imports coming **into** the United States.

Further, these figures represent a tremendous advance made in a very few years. It is an extraordinary commentary on our changing times that U. S. foreign travel expenditures are well over double what they were in 1948.

Meanwhile, we hear almost daily of new developments which should have startling effects on the coming development of international travel—assuming again a reasonable degree of world stability.

Beginning in 1959, we expect that jet passenger planes will be used increasingly for long runs. With these planes a traveler will be able to fly from Chicago to London in slightly over six hours, as opposed to thirteen today. Such speed could have large effects in encouraging world travel.

Meanwhile steamship, railroad and bus companies are in the process of vastly improving the capacity and speed of their equipment. More people are getting more rapidly to where they want to go—for vacations and for business.

With transportation improving so rapidly, a "weekend in Jamaica" or "weekend in Europe" can become an active reality for many tourists. Many other resort and travel areas, before restricted to the traveler with a month or two to spend, will soon be open to the two- and three-week vacationist. And much time which he now spends getting **to** these areas, he will then enjoy **in** them.

Meanwhile, our Gross National Product has now reached an annual rate of well over $400 billion, and despite some soft spots, our general level of prosperity continues. This prosperity has been producing a far wider base of consumer discretionary spending during recent years—and such a sustained condition has direct relation to the growth of travel.

At the outset of any period of prosperity, consumer spending goes largely into durable goods to modernize day-by-day living. It goes into automobiles, washing machines, homes improvements and the like. If the prosperity continues, the consumer begins to have a broader view of what he wants. Among other things, he begins to think of travel.

One-third of our families are now in the $5 thousand or over income group. These families are discovering more and more that international travel is a wonderful source of knowledge, fun, and relaxation.

Great Opportunity From Travel

Under such conditions, the direct encouragement of foreign travel presents a great opportunity. As we all know in business, a trend never takes care of itself. It has to be helped—and helped strenuously. The fact is that to grow as much as it can grow, international travel needs first-class marketing — hard-hitting, up-to-date sales and operational techniques that take into account what the buyer wants **today**—and what he's going to want five years from now.

Many overseas nations have been doing fine work along these lines during the last 10 years. Others haven't done as much. Comparative statistics show that government programs to stimulate tourism have almost always paid for themselves **many times over.**

In view of the enormous effects which tourist expenditures have on a country's prosperity, I would like to suggest a seven point development program which any nation could profitably consider against present accomplishments, in order to increase the volume of their revenues in this vital area.

For the future such a program has particular importance, keeping in mind that the present situation in the Middle East is shadowing the economic stability of Europe and Free Asia, through reduced supplies of oil and resulting indirect effects on production and business activity. With the future so unsettled, the value of travel development programs during coming years as "economic first aid" to distressed or undeveloped overseas nations cannot be overestimated.

Promotional Companies

First and most important to any such program is the development of larger promotional companies abroad, designed to capture the interest of potential tourists. These are best implemented by strong national and regional tourist organizations, developed by the governments, transportation interests and business groups of the countries concerned.

Second, increased foreign government and private investment in hotels, transportation, consumer and recreation industries almost invariably produce a high return through resulting tourist revenues. Today underdeveloped countries can realistically consider expenditures in this category as **basic capital investments,** central to their future economic development, rather than as marginal non-priority projects, which can be put on the back of the stove if budgets are tight. In these days a new tourist hotel may be as important as a new steel mill.

Elimination of unnecessary red tape in customs, border crossing formalities and health restrictions is vitally important. In passing, let it be said that we in the United States might do well to review our own regulations in this area. The truth is that they are among the most difficult in the world today.

Special seasonal resorts, festivals and sport areas, appropriate to the country, can be developed to attract special categories of travelers and to encourage off-season business.

Personnel to handle tourists must be recruited and trained.

The inauguration of special tourist exchange rates by countries that cannot realistically free up their currencies at present often proves to be a very worthwhile measure.

Finally, "in-transit" taxes, travel taxes, and all similar measures designed with the frank object of securing a maximum revenue from the passing tourist should, in my opinion, be completely abolished.

Importance of Tourist Dollars

One final word about these tourist dollars and what they represent.

These are not aid dollars. Rather they are voluntary consumer expenditures in the open-market — value given for value. While direct U. S. aid continues to be a necessity in certain areas, we can all agree that this kind of free functioning of economic demand and supply through tourism is a far superior form of dollar stimulation for any nation today. It's a healthy sign when the one can replace the other. The benefiting nations develop far greater self sufficiency and initiative from such revenue, secured through their individual efforts. The revenue itself moves quicker and more spontaneously into productive commercial channels.

For those of us engaged in foreign trade, this means a lot. It means more dollars for the purchase of our exports. It means increased general prosperity through capital investment in local industry abroad. It means greater demand for American goods overseas, and for foreign goods by our returning travelers. Put in another way, travel dollars have a way of returning home as trade dollars.

* * *

Mobility of Ideas

There is another area in which mobility is a key fact of the present time. I'm thinking of the mobility of ideas. We've all heard the old saying that "ideas seldom respect the boundary lines of nations." This has never been more true than today.

Ideas in this age move with the speed of sound—literally. In the course of a very few years, the mass communications media have become an intimate part of our daily lives and the lives of millions around the globe.

Among other effects, this condition has stimulated a tremendous curiosity throughout the world about America and American values. Our uniquely high standard of living, as well as our traditions of liberty, cause intense interest today in many quarters where before was only vague curiosity. Among some we find misconceptions about our country—among others even some antagonism. But we never find lack of interest.

Since 1946, most of us have made business trips abroad. At least a fair percentage of our time on these trips is spent answering questions about our country — straight questions and the "curved ball" kind too. People everywhere want to know how we live, what we think, why our business operations are so successful and efficient. And even if we don't travel abroad, our activities **here** cause intense interest.

You could say that we suddenly find ourselves on stage, under a world spotlight, being asked to explain the values we live and work by.

Under such circumstances, our words and actions as American businessmen have a close connection with our country's future well being. For better or worse, we bear a very considerable responsibility.

None of us will deny that this is an extraordinary opportunity—one which we welcome wholeheartedly. At the same time, it's a role that quite frankly we're not altogether accustomed to taking. As businessmen, we have a long tradition of preferring to talk practically about the practical problems we face from day to day.

Under present circumstances we'll **continue** to talk practically —though probably on a broader base than before. We'll try to give the best answers we can to any questions we're asked.

I'll confess, for one, that several times I have found my own answers were not up to what they should and could have been. There are a lot of eloquent things we can say regarding American business and its free, competitive foundations. But to convey these things in a meaningful way requires a good deal of clear thinking in the light of world conditions today, avoiding pat phrases and easy generalities, while taking due account of the particular problems and traditions of other nations.

In this regard it is typical of the thoughtful, up-to-date practices of the National Foreign Trade Council that an entire evening session of the Convention was given over to the question of how best to improve knowledge and acceptance abroad of the aims and policies of private American business. I know the Council will continue to explore this very crucial subject. Their findings will always be worth our close study.

Attention From President Eisenhower

There are even more significant signs that this problem of communicating America's aims to our friends and business colleagues abroad is today receiving the attention it deserves. On Sept. 11, President Eisenhower called a meeting in the White House of 60 Americans, representing all phases of business, professional, artistic, and religious life, to develop a program of intensified "people to people" contacts with our friends abroad, with a view to telling our story more effectively wherever misunderstandings exist. I was happy to be invited to this session and to take part in the organization which is being set up to implement the President's objectives in this important area.

A similar new organization, potentially capable of accomplishing a great deal in clarifying America's economic principles abroad is the Business Council for International Understanding, composed specifically of businessmen concerned by the many misconceptions existing abroad about our country and its business values.

And there are many other such groups.

These organizations are all devoting a lot of attention to the opportunities which our **individual travelers** have to discuss, interpret and explain America's principles to all types of citizens abroad.

With all the tremendous powers of the mass communications media today, it's a reassuring fact that the most effective means of communicating our values and principles to others continues to be through casual conversations between one individual and another. The American tourist abroad is given constant opportunities to

*An address by Mr. Reed before the National Foreign Trade Council, Inc., New York City.

talk with citizens of the countries he's visiting. One way or another, the language barrier can usually be overcome. After that, it's up to him. If he shows a genuinely sympathetic interest in the country he's visiting, he will find an equally warm interest in the United States. By speaking simply and truthfully about America and what it stands for, he will be helping himself and his country.

In general, I think American tourists have been doing a far more effective job of making friends abroad than they're given credit for. This particularly applies to representatives of United States companies traveling abroad professionally. The American businessman is usually successful in establishing very friendly and personal relationships with his opposite number abroad. Meeting on the familiar grounds of commercial operations, he can show most clearly his ability to give and take, to respect the other man's point of view, to work out a relationship that benefits both parties. Such contacts do more than anything to eliminate the false notions of American business which still linger in the minds of many throughout the free world.

But as we all know, the volume of business travel abroad has its limits. There are many other groups whose numerical strength are far greater and whose help is vital in building up a proper respect everywhere for the values of a free society.

Student travel is to my mind one of the best forms of insurance we have against future stagnation of the mind. These young people are the future of our country. We want them to travel more and we want students of other lands to visit us. The many efforts being made by private and government groups to encourage student exchange deserve all the support they can have.

Good Will Ambassadors

Meanwhile, new attention is being given to our regular tourists as potential ambassadors of good will. Voluntary educational sessions for those about to travel abroad are being organized today in quite a few communities, using the facilities of local educational centers. Reaction to these has been enthusiastic among a high percentage of those planning trips abroad.

At the same time, several steamship companies have gone so far as to make short experimental language and other educational sessions available without charge to passengers traveling on their ships. They find that about 60% of their American passengers take advantage of one or more of these short courses and are very pleased with the results. We need more programs like this in coming years.

Travel by foreigners to our own country is a subject which only recently has begun to receive the attention it deserves. While exchange barriers in many countries limit at present the volume of such travel, there is much effective work which can be done to publicize the attractions of the United States abroad to those who can travel. We can also make sure that these friends from abroad are given a proper welcome when they get here. In a number of American communities, committees have been set up with the specific purpose of giving foreign visitors a personal reception and an accurate picture of our local institutions, family life and general viewpoint.

I hope I've been able to convey this morning one or two of the reasons why the term "mobility" appears to me so important in understanding the tempo of our time-mobility as it affects the movement of people and the movement of ideas.

Meanwhile, it would also appear that the patterns of international trade which we face today and will face tomorrow are integrally tied in with this all-pervading fact of increased and increasing mobility.

Despite many heartbreaking setbacks and fearful threats, the cold fact is that the standard of living of the free world is slowly but steadily rising, as also is the worldwide demand for goods and services. Partly as a result, the level of United States exports and imports have been showing consistent increases. Exports, excluding military goods, are expected to reach $17 billion in 1956, while imports will total a volume of about $13 billion. Both of these represent new records. Were it not for the clouded situation in the Middle East we could say with confidence that there exists a steadily growing climate of mobility in international trade.

In any event, we must be alert to develop this climate on all fronts.

We must continue to strive for the reduction of government regulations to the minimum consonant with good order. We must do all we can to stimulate general confidence in the judgment, vision and enterprise of private business. We must do our full share in increasing the general welfare everywhere — not only to build long-range overseas markets and sources of supplies for ourselves, but also from strictly humanitarian motives. We must continually keep in mind the vast and new challenges that our time provides.

It is on such terms that the "new mobility of international trade" can become a fact, rather than a goal.

In conclusion let me say quite simply that today intercontinental travel and trade appear to be just about the best insurance we have against the intercontinental missile.

Midland Secs. Co. Formed In Kansas City

KANSAS CITY, Mo. — Midland Securities Co., Inc., has been formed with offices at 1016 Baltimore Avenue. Officers are M. J. Coen, president, and M. L. Thompson, secretary and treasurer. Mr. Coen was formerly an officer of Prugh, Combest & Land, Inc.

Reynolds & Co to Admit New Partners

Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on January 3rd will admit Wyatt A. Armfield, William A. Devlin, Arthur W. Geggie, Jr., Robert E. Palmer and Roger Vasselais to partnership. Mr. Armfield will make his headquarters in Winston-Salem, N. C. and Mr. Geggie in Minneapolis.

J. A. Hogle & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — David B. McCosker is now connected with J. A. Hogle & Co., 507 West Sixth Street.

Federal Reserve Failures In Pursuing Tight Money

By HON. WRIGHT PATMAN*
Chairman, Subcommittee on Economic Stabilization
Joint Economic Committee

Amongst the impressions gained by Subcommittee Chairman Patman, as result of recent money and credit hearings, are: (1) metal, construction and machinery industries are "administered price" sectors capable of defeating Federal Reserve policy wherein interest rate increases go into higher prices rather than restrict credit to prevent price rises; (2) fiscal and monetary authors do not coordinate; and (3) income inequality is being increased, and schools and small businesses are being by-passed. Statement declares hearings substantiate need for thorough reexamination of monetary system, and monetary policy's role and goals.

The Subcommittee on Economic Stabilization has just concluded another of its periodic reviews designed to check on the adequacy and effectiveness of an important stabilization instrument — general monetary and credit controls.


Hon. Wright Patman

At the opening of these hearings I stated that they were in no way intended to undermine or threaten the Federal Reserve System as it is presently constituted. Our objective rather was to gather information as to recent and current monetary and credit policy and its effects on various segments of our economy.

It was not originally intended to issue a report or recommendation after these hearings but rather to study the record and to consider it in connection with the annual report of the Joint Economic Committee due March 1.

However, in view of the unprecedented public interest that has been manifested in the brief two-days hearing and the concern of many groups about the problems that were discussed before the Subcommittee, I deem it appropriate to issue this statement which incorporates some preliminary impressions.

Agrees and Disagrees With Elliott Bell

First, the two days of hearings served to make me feel even more strongly than before that the time is past due for a thorough reexamination of our entire monetary system and particularly a reevaluation of the role and goals of monetary policy. Mr. Elliott Bell has made an important contribution by indicating some of the specific areas that need study. [see this page—Ed.] Without detailing his suggestions here I will say that I find myself in broad agreement with Mr. Bell as to the areas that need study. As to the vehicle for that study, I differ with Mr. Bell. Suffice it to say that my reasons for differing with him are that I believe this is an area where the Congress has an inescapable Constitutional responsibility. I believe we might well combine Mr. Bell's proposal with mine by having a Joint Congressional Monetary Committee assisted by outstanding qualified experts in the field of banking and public finance.

My second impression gained from these hearings is that there has been an exaggerated importance attributed to the monetary and credit powers of the Federal Reserve as instruments that can guarantee us stability and growth.

Chairman Martin has made an important contribution to public enlightenment in once again warning that monetary policy is "only one factor" and that "it is not adequate to do an effective job if the budgetary and the fiscal policy of the Government runs completely counter to it."

Finds Lack of Coordination

In this connection there was apparent unanimity throughout the hearings that the main stimulus to the current inflationary pressures that the Federal Reserve is attempting to restrain through its restrictive monetary policy and higher interest rates and the greatest threat to instability have come from the capital goods area, and particularly from the plant and equipment expenditures boom. This points up a serious lack of coordination between the fiscal authorities and the monetary authority. For the expansion of plant and equipment expenditure was stated by the Secretary of the Treasury to be the primary objective of Administration tax policy. As he put it, "investment is the goose that lays the golden eggs."

Moreover, within the area of plant and equipment spending credit restraint has operated unevenly. As Chairman Martin pointed out, an important advantage big firms have is their "financial status." The little man does not have it. That means that when the supply of bank credit is restricted and commercial banks and other lenders must resort to "rationing," they will naturally extend credit to those whom they judge to be the soundest risks, the big firms with "financial status." The small business is in effect being denied the right to "scramble."

This leads to a third impression gained from these hearings. The Federal Reserve operates on the theory that by restraining generally the supply of credit and thereby denying credit to some would-be capital users, it is preventing a wild scramble for limited resources which could only raise prices without increasing the supply of resources. Ignoring for a moment the questionable assumption that resources are completely inelastic, it is pertinent to point out that the price increases that have been greatest occurred in metals and metal products, construction materials, and machinery.

These are the so-called "administered price" sectors. That is to say price decisions are not responsive to short-run interaction of supply and demand in the market. Instead they are fixed more with an eye on the probable effects of prices and profits on the attraction of new firms into the industry. Since in the administered price industries an important consideration is to limit the number of producers, it is likely that prices will not respond freely to unrestricted supply and demand forces. It is also true that prices will be raised on the basis of other factors which changes in the supply of credit and the interest rate will importantly affect. Thus the price will unquestionably be fixed to reflect a rate of return that takes into account the capitalization of invested funds at the going rate of interest. Therefore with respect to administered price sectors rises in interest rates, due to restriction of credit, play a more important role in raising prices than the restriction of credit does in preventing prices from being pushed up by the pressure of market demand and supply forces.

Conversely it is true that in the areas characterized by sensitivity to market forces of supply and demand, rising interest rates are less likely to be passed on pricewise because of the sharp competitive situation that confronts each seller. The textile industry is a good example.

It would appear that the monetary authorities do not appreciate sufficiently the effects of credit restraint in areas charaterized by administered prices.

A fourth impression created by these hearings is that under existing policies we have no way of assuring that certain social needs for schools, housing, highways, etc., do not get by-passed in the scramble for scarce resources. The machinery we rely on for "rationing" a curtailed supply of credit is not primarily influenced by social needs and priorities. The result is that many school districts have had to pay excessively high interest rates, in some cases enough to buy a school that could house an additional 900 pupils. In too many instances school districts have had to postpone bond issues because of the lack of investors. We cannot afford to postpone school facilities too long, especially in the light of the challenge that the Soviet Union is making to our technological leadership. And even if this challenge did not exist, education as a social need cannot be treated as impersonally in the allocation of resources as, say, the demand for racetracks or nightclubs.

It is evident that, assuming we want to continue to fight inflationary forces with some measure of restraint on credit, we must decide upon the type of machinery we want to ration the curtailed supply.

A final impression gained from these hearings is that not sufficient attention is being given by the monetary authorities on the harmful effects of higher interest rates on income distribution. The main concern seems to be with stimulating savings by offering higher interest rates as an inducement. It is well known that the man of moderate means does most of his savings through purchase of life insurance, payment of principal on home mortgages, etc. The really big savers are those with very large incomes. The effect of raising interest rates may well be to increase savings by increasing the income of the highest income receivers. This will tend to redistribute income and purchasing power in the same uneven way that led to the widening gap between consumption and productive capacity in the late 1920's. We do not want to stimulate savings at the expense of a widespread distribution of purchasing power which is the most potent incentive ever presented to a prospective investor.

We must at all times be equally vigilant to the dangers of deflation as we are concerned now about the dangers of inflation.

*Statement by Representative Patman on recent Subcommittee hearings on monetary and credit problems, Washington, D. C., Dec. 17, 1956.

Sonnenfeldt Opens

H. Walter Sonnenfeldt is engaging in a securities business from offices at 217 West 231st Street, New York City under the firm name of H. Walter Sonnenfeldt Company. Mr. Sonnenfeldt was formerly an officer of Family Securities Corp.

Facing Troublesome Questions About Our Monetary System

By ELLIOTT V. BELL*
Editor and Publisher of "Business Week"

Believing that now is the time to face up to troublesome questions, to prevent finding ourselves confronted with immoderate solutions later on, editor and publisher Bell recommends carrying out Allan Sproul's suggestion for a broad re-examination of our monetary system, and summarizes structural changes in our monetary system to substantiate the need for such an inquiry. In denying accusations of advocating lessened Federal Reserve independence, Mr. Bell avers he has been "misinterpreted"; that he had fought for the Reserve's independence; and that it is "a matter of common sense to bring the Reserve more directly into the Council, guiding the Administration in its economic policies," without it losing any independence. Relates tight credit to tax-deductible interest costs; notes tight money's effect upon record business borrowing, as against small business and schools, and states selective controls are a lesser evil than quantitative.

There exists today more widespread concern and questioning about the working of our money system than at any time since the banking crisis of 1933. There is need for a basic re-examination of our entire monetary and financial networks to determine whether the present institutions are adequate for present needs and whether the functioning of our money system could be improved.


Elliott V. Bell

Such an inquiry need not imply an indictment of our existing system but it would almost certainly disclose defects that need legislative correction.

In the past, reform and improvement of our money system has generally been delayed until forced by critical events. Thus, the National Bank Act of 1863 followed the Panic of 1857, which had been brought on by a chaotic money system that allowed every kind of wildcat bank to issue paper money. The Federal Reserve Act of 1913 was an aftermath of the Panic of 1907 and the banking reforms of the early 1930's, including the establishment of the Federal Deposit Insurance Corporation, followed by the Banking Holiday of 1933.

It is normal for conservative economists and financiers to oppose change; but if we run away from or try to shut our eyes to current problems, the chances are that those problems will some day be dealt with by more extreme people and in more radical terms.

I have in mind the sort of broad inquiry that has been suggested by Allan Sproul and others, conducted by a Presidential Commission composed of outstanding citizens.

It is now more than 40 years since the last National Monetary Commission — the Aldrich Commission—made its report in 1912. In the interval, and especially in the past 20-odd years, there have occurred revolutionary changes in the structure of our monetary system, and equally revolutionary changes in our economic objectives.

Here is a summary of these changes:

New Financing Sources

(1) The past 20 years have brought the development of Federally-chartered savings and loan associations which today constitute a third banking system, having their own central banks—the Federal Home Loan Banks. It has brought the rise and growing importance of state-chartered savings and loan associations; the entry of life insurance companies into large-scale lending, paralleling and competing with the commercial banks; the growth of large finance companies providing consumer credit, and of pension funds—a comparatively new type of financial institution, enjoying tax exemption and free from any regulation, either Federal or state. These pension funds now engage in major financial operations and promise to become one of the most important sources of lendable funds in the future.

In addition there has been an enormous growth of federal instrumentalities such as the Federal Housing Administration, the Small Business Administration and the Veterans' Administration, which are engaged in lending or in guaranteeing or insuring loans. A report of the Hoover Commission lists 104 such instrumentalities, created between 1913 and 1955.

About a score of them is actively engaged in lending or insuring loans in a way calculated to affect credit conditions and involve an intrusion upon the course of monetary policy.

Some of these government credit intermediaries were established by Congress to carry out a social purpose — such as rural electrification — others are more akin to private financial institutions.

The question arises whether there is need for all these agencies and whether their individual operations are always in harmony with broad national policies.

Multiplicity of Regulatory Agencies

(2) The period since the banking crisis of the 1930's has brought the development of an increased number of regulatory agencies. These now include the Comptroller of the Currency, the 48 State Bank Supervisors, the Federal Reserve System, the Federal Deposit Insurance Corporation, the Home Loan Bank Board and others. Their jurisdictions overlap and the coordination of policies followed is dependent almost entirely upon the personalities of the individuals in charge at any one period of time.

It was said that the banking troubles of the 1930's were due partly to a "competition in laxity" among the various supervisory authorities in the booming 1920's. There is nothing to prevent a recurrence of such competition in the present boom.

This multiplicity of regulatory and chartering authorities raises the question of the need for more uniform standards and requirements to govern the establishment of new financial institutions including branches of existing institutions. Every commercial bank

*Testimony by Mr. Bell before the Subcommittee on Economic Stabilization of the Joint Economic Committee, Dec. 10, 1956.

in the country is a part of our monetary system and its lending and investing activities affect the supply of money. Yet, the standards of competence, character, and public necessity governing the chartering and branching of such institutions vary enormously.

Lately a new complication has been introduced by the Bank Holding Company legislation enacted this year, which would, according to Governor Harriman of New York and the Banking Superintendent of that State, George Mooney, provide a means of bypassing the State authority with respect to branch banking and the concentration of banking power.

Changing Goals

(3) There is need to reexamine the task now expected of monetary and fiscal policy in this country. When the Federal Reserve was established, its primary purpose was to provide an elastic currency geared to commercial paper. Today, we are committed to a national program which calls for Government action to promote high-level employment and to maintain economic stability. In carrying out these objectives, monetary policy has a large role to play. Is the Federal Reserve System adequate to play its part; have its responsibilities in this connection ever been clearly defined so that either the members of the Federal Reserve Board or anyone else can know what its obligations actually are? What should be the relation between the Federal Reserve and the various other Governmental agencies which extend or guarantee credit or regulate financial institutions, and with the Treasury? Is there need for new arrangements to provide for consultation and collaboration among these various agencies?

I ventured recently to suggest the desirability of a National Economic Council which would function in respect to economic policies somewhat as the National Security Council functions with respect to defense policies. [See "Chronicle" of Nov. 1, 1956.—Ed.]

Pleads Misinterpretation

In some quarters this suggestion has been misinterpreted as an assault upon the independence of the Federal Reserve System. I cannot see it that way. The suggested Council could be established by Congressional action, as was the National Security Council, or it could be created by the simple act of the President in inviting the appropriate individuals to participate. In either case, I cannot see why the essential independence of the Federal Reserve should be endangered. That independence, as I see it, simply means that the Federal Reserve must not be compelled in peacetime to use its credit-making powers to facilitate the Treasury's financing needs as was done in two world wars.

But apart from Treasury-Federal Reserve relationships, it would, it seems to me, be a matter of common sense to bring the Federal Reserve more directly into the Councils guiding the Administration in its economic policies.

I do not have so low an opinion either of Governor Martin or of President Eisenhower as to think it would be impossible for the former to counsel with the latter without losing his independence. If, however, it is felt that the Federal Reserve Board is so sensitive that contact with the President would corrupt it, then I suggest there might usefully be formed a National Economic Council without regular representation by the Federal Reserve Board. In this event, the Fed might be invited to send an observer with the express understanding that he could sit near an open door ready to fly to the sanctuary of Constitution Avenue if he felt the danger at any point of political contamination.

Inequitable Pay and Other Questions

(4) For some years, there has been controversy concerning the relations between the Federal Reserve Board and the Federal Reserve Banks. There have been differences of viewpoint as to the composition of the Federal Reserve Board, the term of office of Board members and the rate of compensation received by them. During the first 20 years of the existence of the Federal Reserve System, the Board in Washington was relatively unimportant and relatively impotent. The Federal Reserve Banks, especially the Federal Reserve Bank of New York, were dominant.

In the reforms following the Banking Holiday of 1933, this situation was abruptly reversed. Power was shifted to the Board in Washington and taken away from the regional banks. And yet the President of the Federal Reserve Bank of New York is paid about three times as much as the Chairman of the Board of Governors of the Federal Reserve System. This is an anomalous situation. If the Board is to be dominant, the question is relevant whether the compensation paid to members of the Board should not be at least sufficient to make it possible to persuade a man who has distinguished himself as president of a regional bank to go on to Washington as a member of the Board. At present this is almost impossible.

Study should also be given to the question of whether it is desirable to continue a fourteen-year term for members of the Board of Governors; whether the Chairman of the Board should serve at the pleasure of the President who appoints him; whether his term should co-terminous with that of the President; whether he should have more authority over other members of the Board than he now has; whether the entire Board setup should be altered and replaced by something more akin to European central bank organizations in which the system is headed by a Governor or Chairman assisted by various deputies.

There have been differences of opinion between the System and its member banks about the level of Reserve requirements. There has been serious disagreement within the System over open market operations. There is confusion and inconsistency with respect to the System's responsibilities towards the Government securities market. All these questions and controversies need to be examined.

Selective Controls as a Lesser Evil

(5) There is need to explore the role of selective credit controls as an instrument of national monetary policy. No one likes selective controls. Yet, they can be made to work. An outstanding example of this is the selective control of security credit through margin requirements. There are times when selective controls might prove to be a lesser evil than over-all quantitative credit restriction. For example, when installment credit seems to be expanding too fast, it might be better to have a regulation tightening up the terms of installment credit rather than putting a stranglehold on the entire economy through an over-all tight money policy.

I appreciate that there are dangers of bureaucratic interference with free enterprise in the use of selective controls but I believe there will ultimately prove also to be great dangers in the attempt to stabilize our economy through the violent alternations of dear money and cheap money we have seen in recent years.

(6) There is need also to explore the possibility of compensatory fiscal policies, such for example as variable depreciation, as instruments contributing to economic stability. This might conceivably be a means of spreading out a capital expansion boom like the present, which tight money thus far does not seem to have affected. I understand this device is employed in the Netherlands so there is means of learning how useful it has been in actual practice.

Record Bank Loan Expansion

(7) Other questions that need study include the effects upon quantitative credit control of high taxes and of a large outstanding Government debt.

It has become apparent in recent months that rising interest rates present no serious obstacle to large and profitable corporations. Since interest paid is a tax-deductible expense, a prime rate of 4% costs the corporate borrower less than 2%. Even a rate of 8 or 9% would cost the large corporation after taxes less than municipalities are now paying for money to build schools.

On the other hand, the corporation that is in trouble, operating in the red, is directly penalized.

It has also been noted in the past year that the existence of a large Government debt, constituting a major part of the assets of the country's financial institutions results in a pronounced lag in the effectiveness of a tight money policy.

Although the Federal Reserve has been following a stringent credit policy for well over a year, and has prevented virtually any expansion of the money supply, bank loans have expanded to record levels.

An explanation of this appears in the condition statements of

Continued on page 29

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks held reasonably buoyant on an overall basis, the steels continuing to lead on strength this week. But with a short week for trading, the market was unusually filled with cross-currents as the inevitable cleaning up for the year-end reached peak proportions.

Strength Selective

Strength was rather selective, particularly in the petroleum section, and the persistent heaviness of recent months in the rails, some of the motors, and nonferrous metals was the rule generally, with an occasional respite.

Guarded optimism was still preponderant. The list already had one almost excessive rebound from the heavy load of tax selling that featured the stalemated market this year. This served mostly to bring on some additional pressure in the nature of profit taking but the list held reasonably close to its recovery peak nevertheless.

If the reinvestment demand that this should inspire makes its appearance any time now, the year-end rally could have one more good fillip before the list settled back to more basic considerations. The great stress being put by technicians on the ability of the industrial average finally to negotiate the 500 level appears to have generated considerable caution even in reinvestment circles. The ability of the average to punch through decisively obviously would spur the year-end rally that much more.

Rails continue to be the laggard group with conviction, still with a gap of around 10 points to go if they are going to show a plus sign for the year. Nor is there much in the way of anticipated news that is left to help them along.

Chemical Sprint

Chemicals for a change were able to put up a somewhat better showing and du Pont which had one of the harder falls around — from $237 to around $175 — was able to join the sprinters on the strong side at times as the talk was revived of splitting the stock. This was enough to enable the issue to bounce a score of points from its low but solved little for the long pull since lower earnings for the colossus are pretty well assured for this year.

An Interesting Off-Beat Issue

Some culing in off-beat lanes continued with issues like Brunswick-Balke-Collender appearing on the lists of recommendations. Brunswick was a bit tardy in entering the bowling alley pinsetter business but has made rapid strides and original installations for next year promise a good earnings prop. In fact, the company projections are that it should be able to add a couple of dollars next year to earnings of around $5.50 this year.

Brunswick was also a bit tardy in the diversification race but since the century-old establishment decided a scant four years ago to get into the act, considerable progress has been made. Currently the company, which for half of its corporate life concentrated mainly in billiard lines, is a factor in school furniture and equipment and in defense products, including plastic domes as well as other components for planes. The stock itself has had a mundane market life and even lately has shown little life against anticipated financing that will have to be done. There has been little discounting, consequently, of the good boosts in sales and earnings due this year as well as next.

About the heaviest weight affecting individual issues lately, apart from downright dour specific news, is the obvious need in many cases for new financing to pay for expansions already underway. The spectre of dilution of earnings appears to be extremely unpopular and rides roughshod over the fact that increased earnings are inevitable sooner or later because of the expansions.

An Outstanding Chemical

One issue that was able to turn around and make something of a stand when the company reported officially that no outside financing is necessary for at least two years, if not more, is American Cyanamid. This had been carried backward to a degree by the general chemical heaviness but the company was able to show independent strength within the last couple of weeks and post that rarity in its section — a new high price for the year.

There is even more solid backing for Cyanamid's action than the others—it hasn't been afflicted by the whittled earnings common in the group. Earnings have been projected for this year at better than $5, including about a dollar of nonrecurring profit, against $4.07 last year which is a far better holding action than most show. The company is well up in the ranks of producers of wonder drugs, its Lederle Laboratories now accounting for better than a fourth of sales.

"Tax-Sold" Bargains

A popular hobby of the week was hunting out lists of issues most severely depressed by the year-end tax selling, several such offerings running two-score to half a hundred issues with a good bit of repetition in them, obviously.

Among the usual repeaters on such types of lists were Alco Products; Allied Stores; Bridgeport Brass; Crane Co.; Sperry Rand; Olin Mathieson Chemical, and Radio Corp. Even some of the rails were "regulars" on such lists, largely because they show yields well above the money market level and on that basis, at least, could be classified as bargains. Gulf, Mobile & Ohio was one such, its recent price representing a return in excess of 8%. Southern Pacific was another frequently spotted, again probably in large measure because of its 6½% yield.

Both the electronic-video fields and the motion picture industry were represented on such "bargain" lists when, like in Admiral, Paramount Pictures and Twentieth Century-Fox, the return offered was running 7% or better.

An Atomic Strong Spot

American Potash is an issue usually broadly classified with the chemicals but in some ways the company is an odd member of the group. Its heavy participation in boron and lithium products make it something of an atomic item since these have important uses in atomic energy and guided missiles. These and its heavy line of potash products helped it boost earnings moderately in the reports issued so far this year. Unlike the prime chemical issues, Potash has been able marketwise to hold much closer to its year's peak than the low.

Another exception might be Pittsburgh Steel which so far has failed to run to lengths quite as optimistic as other steel issues. In fact, on its fourth quarter results Pittsburgh has been available at less than five-times-earnings which is a conservative pricing against the mean for the group. Pittsburgh until recently was considered a marginal company, which could account for investor apathy, but lately the company has changed its nature drastically with major expansion and modernization programs.

[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.]

Harold L. Bache Looks at 1957

Investment firm head offers year-end commentary and predictions for 1957.

"To perhaps a greater degree than ever before, the free world will turn to America in 1957 for material and technical aid and, perhaps most important of all, for moral guidance," according to Harold L. Bache, senior partner of the investment firm of Bache & Co.

Harold L. Bache

"If these commitments are to be met successfully, as I am confident they will be," he said, "this country must increase its productive capacity, resist the forces of inflation, and preserve industrial peace."

"The securities industry," Mr. Bache said, "should enjoy a prosperous year in 1957—possibly a better one than in 1956.

"My reason for this prediction," he explained, "is that I see increasing signs that the educational program of the financial community is beginning to bear fruit. More and more people are coming to the realization that there is no better investment than the ownership of a share of American industry."

Expressing confidence in America's ability to meet the many perplexing problems which must be solved in the coming 12 months, Mr. Bache said:

"In my opinion, the tremendous popular vote registered by President Eisenhower last November reflected the desire of Americans of all classes for peace with honor. They expressed their deep-seated conviction that our President, who has known at first hand the horrors of war, is better equipped than anyone else to preserve the peace."

Davis to Retire As Harriman Ripley Pres.

Because of poor health, Pierpont V. Davis will retire Dec. 31, 1956 as President of Harriman Ripley & Co., Incorporated, 63 Wall St., New York City, after a distinguished career of over 50 years in the investment banking business, it has been announced. He has been elected Honorary President, and continues as director of the company.

Pierpont V. Davis

With Joseph P. Ripley, Chairman of the company, and the late Horace C. Sylvester, Mr. Davis took an active part in the organization of Harriman Ripley & Co., which was formed in 1934 under the name of Brown Harriman & Co., Incorporated; the name of the company was changed Jan. 1, 1939 to Harriman Ripley & Co., Incorporated.

Mr. Davis graduated from Yale College in 1905. In the following year he entered the investment banking business with the New York Stock Exchange firm of Plympton Gardiner & Co. In 1917 he became associated with The National City Company as head of the Railroad Department, and was elected Vice-President in January 1919. He continued in that capacity until he resigned in 1934 to take part in the formation of the present firm of Harriman Ripley & Co., Incorporated. He was elected President of the company in 1942.

Mr. Davis has been active in railroad financial affairs for many years. At various times since 1917 he was a director of several railroad companies He is now a director of the Wabash Railroad and a member of its Finance Committee, and is a director of several of the Wabash subsidiaries.

During the 1930's he served as a member of the railroad bondholders' protective committee of the Seaboard Air Line, the St. Louis-San Francisco and the Florida East Coast.

Mr. Davis has been a director of National Distillers Products since 1936, and a trustee of the Dry Dock Savings Bank since 1925. He has been a trustee of the Presbyterian Hospital since 1942, and is Chairman of the Chaplain's Committee and a member of the Finance Committee. He has been a director of the Beekman-Downtown Hospital since 1935, and was formerly Chairman of the Finance Committee. He is a Vestryman of Trinity Church in New York City and Chairman of the Investment Committee. He is Vice-Chairman of the Episcopal Church Foundation, and a director of the Philharmonic-Symphony Society of New York, and a trustee of the Bach Choir of Bethlehem, Pa.

Mr. Davis was President of The Bond Club of New York in 1929-30, and was for several years Chairman of the Railroad Securities Committee of the Investment Bankers Association. He is now Chairman of the Railroad Advisory Committee of the National Association of Securities Dealers.

Mr. Ripley, Chairman of the company, continues as its chief officer.

Boynton Heads Dept. For C. F. Childs Co.

The organization of a Corporate Securities Department by C. F. Childs & Company, 1 Wall Street, New York City, "oldest house in America specializing in Government securities," has been announced by F. Newell Childs, President of the firm. The new department will be under the direction of Elwood D. Boynton, who has been closely associated with the corporate securities business for over 20 years, most recently with Hallgarten & Co. Mr. Boynton has been elected a Vice-President of C. F. Childs & Co., effective Jan. 2, 1957.

Elwood D. Boynton

"This is simply a step in diversifying our highly specialized operations and offering to our institutional customers a more complete service," Mr. Childs said. "We will continue to be closely concerned with the money market and securities of the U. S. Government."

Prior to his association with Hallgarten & Co., Mr. Boynton was a director of H. F. Boynton & Co. and a partner of Laird, Bissell and Meeds.

Gerald Loeb Previews 1957 Stock Market

Well-known stockbroker-author offers firm advice regarding stock buying in coming year. Says policy of patronizing the leading institutional selections "is a tactic that promises to be unprofitable in 1957."

"Although cash has been losing purchasing power in recent years, it should nevertheless be conserved for favorable buying opportunities that may develop during 1957," advocated Gerald M. Loeb, partner of E. F. Hutton & Co., New York City, in a year-end statement on the stock market and its outlook. He added that many stocks have passed from strong to weak hands in 1956, and according to his estimations this may lead to a downward tendency in the forthcoming year.


G. M. Loeb

"A proper degree of liquidity may, for the first time in years, be the determining factor in one's market profits," stated the stockbroker-author of "The Battle for Investment Survival."

"Shrewd investors are adjusting their market attitude (1) in investment thinking; (2) in individual holdings; (3) in equity-cash ratio. They are approaching the coming year more liquid and with an expectation to modify ingrained views regarding blue chip retention and purchase. They realize that we seem to be heading for a change of market favorites."

He proclaimed alertness as a watchword for 1957. "This implies," he explained, "a keener awareness of stock movements and a willingness to sell when cash is preferable."

Stock Performance in 1956

Recounting the stock market's performance in 1956, Mr. Loeb described it as one of "backing and filling at a historically high level." He saw individual issues moving in diametrically opposite price paths with many declining. "As a result," he concluded, "it is likely that more investment accounts displayed a net loss than a net gain for 1956."

Mr. Loeb cautioned those who have been riding the bull market to higher altitudes simply by patronizing the leading institutional selections. He declared, "Just plain buying and sitting with the best, which has paid off well in the past decade, is a tactic that promises to be unprofitable in 1957. It would be wise to wait and weigh all decisions on new commitments.

"There may be improved sentiment among buyers due to current events or inflationary factors, or to increased consumer buying. But it is unlikely that the market will soar sufficiently to establish a new level above the overhanging clouds."

He felt that next year's stocks can be selected to better advantage later in the period after the market has "stabilized and proved itself."

"The major motors should fare well," continued Mr. Loeb, "if current indications are borne out that they will receive a larger share of the consumer dollar than in recent years."

NASD District No. 10 Elects Three

CINCINNATI, Ohio. — Announcement has been made of the election to NASD's District Committee No. 10 (Kentucky, Ohio) of the following:


Russell Ebinger


August Lorenz


W. Power Clancey

August Lorenz, Lorenz & Co., Columbus; W. Power Clancey, W. P. Clancey & Co., Cincinnati, and Russell Ebinger, Almstedt Brothers, Louisville.

Mr. Lorenz entered the securities business in 1912. In 1926 he became a general partner in Stevenson, Vercoe, Fuller & Lorenz and in 1942 formed his own firm.

Mr. Clancey started in the investment business in 1919. He served as Manager of the Bond Department of the Bank of Cincinnati 1925-1930, and formed the partnership of W. P. Clancey & Co. in 1930.

Mr. Ebinger joined the Bond Department of the Louisville National Bank in 1922. He served with several securities houses in New York prior to returning to Louisville with Smart & Wagner in 1931. He was President of Wagner, Reid & Ebinger, Inc., from 1950 until 1956 when this firm joined Almstedt Brothers with whom he continues as registered representative.

Form Empire Inv.

DENVER, Colo. — Empire Investment Co. has been formed with offices at 2492 South Humboldt Street to engage in a securities business. Officers are George Stroud, president; Carl W. Herman and Lee P. Adas, vice presidents; and Virginia T. Stroud, secretary-treasurer.

Francis Lauro Opens

HOLLIS, N. Y. — Francis G. Lauro is conducting a securities business from offices at 9017 195th Place.

Dumont Secs. Formed

Dumont Securities Corporation has been formed with offices at 80 Wall Street, New York City to engage in a securities business.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

The Phoenix Insurance Company, Hartford

This company was incorporated in 1854 under Connecticut law with an authorized capital of $200,000. Originally its writings were limited to fire, inland navigation and ocean marine, but expansions in the lines written later took place so that ultimately all classes of business were written, except life. In 1911 a start was made on the organization of a fleet with the acquisition of Equitable Fire Marine Insurance Co. of Providence. Other companies were brought into the group, and today there are five members after the absorption in the past two years of three of the units.

The company operates in all states and in Canada. Its casualty business is relatively small, as it initiated casualty lines only in 1950. There is a large agency plant, numbering about 13,000; and Phoenix ranks as a group among the 25 largest in the country.

The principal lines written, with the growth in net premium volume between 1951 and 1955 year-end, follow:

	1951	1955
Fire	$32,878,000	$31,656,000
Extended Coverage	7,177,000	9,805,000
Ocean Marine	2,563,000	2,368,000
Inland Navigation	9,874,000	10,507,000
Auto Bodily Injury	171,000	3,275,000
Auto Physical	9,405,000	11,838,000
Miscellaneous	1,494,000	8,908,000
	$63,562,000	$78,357,000

This was a gain in premium volume of about 25%, about in line with the general growth trend of this conservative company.

Distribution of the company's assets as of Dec. 31, 1956, was as follows:

Cash	3.7%
U. S. Government Obligations	15.9
Other Bonds	26.2
Preferred Stocks	1.8
Common Stocks	43.6
Other Investments	2.3
Other Assets	6.5

The holdings of stocks were carried at that date at $109,987,000; their cost was $29,759,000. Among the larger holdings of common stocks (aside from the stocks of affiliates) were: 30,000 American Gas & Electric; 28,000 American Natural Gas; 28,600 First National City Bank, New York; 36,594 Dow Chemical; 9,400 du Pont; 49,140 General Electric; 33,300 General Motors; 24,000 Goodrich; 20,948 Gulf Oil; 6,920 International Business Machines; 23,000 Socony Mobil; 23,332 Standard Oil of New Jersey.

On only four occasions in the past 25 years were underwriting results not on a truly profit producing basis. Two of these poor years were 1954 and 1953, and resulted to an important degree from the hurricane devastation of those years on the northeast coast. The introduction of deductibles in the extended coverage line, under which hurricane losses are included, is expected to bring substantial improvement in this line, as appears now to be the general industry expectation. Also, some favorable rate adjustments have been ordered.

Phoenix has wide geographical diversification of its risks. Of its $40,411,000 in direct writings in 1955, New York State showed the largest volume; $6,156,000; Illinois was next with $3,153,000.

TEN-YEAR STATISTICAL RECORD—PER SHARE*

	Liq. Value	Adj. Und. Profit	Invest. Income	Fed. Taxes	Net Earn.	Dividend	Price Range High	Price Range Low
1946	$66.77	—$0.32	$2.15	----	$1.83	$1.80	59 3/8	43 3/4
1947	62.66	0.49	2.24	$0.05	2.69	1.80	57	43 1/2
1948	65.49	2.03	2.36	0.25	4.14	1.80	54	44 3/8
1949	76.07	4.17	2.69	1.36	5.50	2.10	62 3/4	48
1950	83.76	1.63	2.98	0.73	3.88	2.29	63 5/8	47 3/8
1951	90.41	0.62	3.17	0.11	3.68	2.25	63 1/4	55 1/2
1952	96.92	2.36	3.27	0.71	4.92	2.25	78	60 3/4
1953	97.97	0.21	3.68	0.07	3.82	2.55	81 3/8	66
1954	119.50	—2.15	3.84	0.14	1.75	2.55	99	68 1/4
1955	129.84	—1.02	4.01	0.21	2.78	3.00	98	77

*Adjusted for stock dividends of 33 1/3% in 1954 and 25% in 1950.

Dividends—Except for the years 1872 and 1873 payments have been maintained without a break. Since organization total cash payments have totaled $71,869,000; stock $4,100,000. The present annual rate is $3; and at a current market price of about 66 1/2 the yield is approximately 4.51%.

In the decade ended with 1955 the company's underwriting profit margin averaged 4.2%. Investment income increased by 116% in the period; and there was a price appreciation of 65.9%, allowing for the adjustment for stock dividends in each case. In this decade there was an increase of approximately $45,682,000 in the portfolio valuation. The exposure is low. At the end of 1955 unearned premium reserve to capital funds (policyholder's surplus) stood at 0.36 to 1.00, a very conservative ratio, and one that permits an increase in premium volume if management deems this to be advisable. In the ten-year period the gain to the shareholder was $91.49 a share, or an average of $9.15 per annum.

The stock of Phoenix Insurance has wide acceptance among institutional investors.

Bank of Montreal Hart Gen. Manager Jensen Exec. V. P.

MONTREAL, QUE. Canada — The appointment of G. Arnold Hart as general manager of the Bank of Montreal, effective January 1, succeeding Arthur C. Jensen, who becomes executive vice president, has been announced by Gordon R. Ball, president of the bank.

Mr. Hart has held a wide variety of important posts since World War II. After five years with the Canadian Army, he became secretary to the bank's former president, the late George Spinney.

Later he served as assistant superintendent at Calgary, as manager at the Edmonton main office, and as an agent at the bank's New York office. Three years ago, after an extended trip through the Far East as a special representative of the bank, he was made a superintendent at the head office. In the following year he became an assistant general manager and last April was made deputy general manager.

Mr. Jensen, who has been general manager for the past four years, becomes executive vice president after a banking career extending over 42 years. For the past two years he has been a vice president of the bank. He is also a vice president of the Canadian Bankers' Association.

Eberstadt Places Braniff Airways Bonds

Braniff Airways, Inc., it was announced on Dec. 21, has arranged to place privately with certain institutions $40,000,000 of 4 3/4% equipment mortgage sinking fund bonds due July 1, 1976. Of this amount, $15,000,000 will be sold by the company not later than June 28, 1957, and an additional $20,000,000 not later than April 28, 1961. All or part of the remaining $5,000,000 may be sold on or before April 28, 1961.

F. Eberstadt & Co. represented the corporation in negotiating contracts for the purchase of the new bonds.

Joins Jones Cosgrove

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Robert D. Coffman has become affiliated with Jones, Cosgrove & Miller, 81 South Euclid Avenue, members of the Los Angeles Stock Exchange.

Railroad Securities

By GERALD D. McKEEVER

Freight Rate Increases vs. Wage Increases

On Dec. 17 the ICC announced "emergency" freight rate increases for two territorial groups of railroads. The so-called Eastern roads received the full 7% applied for but the Western roads were given only a 5% increase. The reason for this difference, the Commission explained, was to restore the relationship between the rates of return on investment of the roads in the two sections to what it was at the time the general 6% increase was granted last March 7. Nothing was done at this time, however, as to the application of the Southeastern roads for the 7% increase. These roads filed late and their application will be dealt with separately.

The Eastern roads are strictly those serving territories north of the Potomac and East of the Mississippi, but the three Pocahontas roads, the C. & O.; Norfolk & Western, and Virginian are also included with the Eastern group in the case of this rate increase. The Western roads are those operating west of the Mississippi.

The following tabulation showing the theoretical relationship between the freight rate increases and the wage increases is consequently divided into the two sections considered in the rate increase award to date, each including the roads whose territories are principally in the respective sections. There is obviously a small amount of over-lapping in the Western group in the case of the roads entering Chicago but this is relatively unimportant since the rate increase figures do not purport to be exact anyway. They are based on a horizontal application of the percentage increases in each case whereas the full increases will scarcely be enjoyed in any instance due to hold-downs and rate concessions and adjustments, and these factors will affect some roads more than others. For instance, it was stated by the President of the New York Central on Dec. 18 that the freight rate increase will just about even the wage increases in the case of this road. The tabulation is mainly useful for comparative purposes.

The purpose of the emergency freight rate increase is to offset the wage increases that became effective as of Nov. 1 and which are or will be made retroactive to that date. The roads have settled with the non-operating unions but the settlement with the operating "brotherhoods," which embrace about a third as many employees as the "non ops," is still pending. The calculations in the tables to follow are based on equal treatment for all—viz. about a 6% wage increase and both indicated increases are on an annual basis.

I—EASTERN ROADS

	7% Freight Rate Incr. †	12½c Hr. Wage Incr. †	Per Share Rate Incr. ‡	Per Share Wage Incr. ‡
Baltimore & Ohio	*$34.5	$12.9	*$5.37	$2.43
Bangor & Aroostook	1.0	0.36	2.75	0.96
Boston & Maine	4.7	2.8	4.20	2.45
Chesapeake & Ohio	*26.5	10.0	*1.60	0.60
Chicago & Eastern Illinois	2.1	1.1	2.50	1.26
Delaware, Lack. & Western	4.8	2.9	1.38	0.84
Erie RR.	10.5	5.2	2.08	1.02
Lehigh Valley	*4.5	2.2	*1.22	0.72
New York Central	*41.5	25.4	*3.00	1.88
New York, Chicago & St. Louis	*11.6	4.6	*1.35	0.54
N. Y., New Haven & Hartford	6.3	4.9	2.75	2.16
Norfolk & Western	*13.9	5.1	*1.28	0.43
Pennsylvania RR.	*52.8	31.1	*1.93	1.14
Reading Co.	*8.1	3.9	*2.80	1.35
Virginian Ry.	*4.2	0.9	*1.34	0.34
Western Maryland	*3.2	1.3	*2.42	0.92

*Probably particularly unrealistic because of "hold-downs" on coal.
†Approximate millions before tax. ‡After applying 52% Fed. Income Tax rate.

II—WESTERN ROADS

	5% Freight Rate Incr. †	12½c Hr. Wage Incr. †	Per Share Rate Incr. ‡	Per Share Wage Incr. ‡
Atchison, Topeka & Santa Fe	$24.5	$16.3	$0.49	$0.32
Chicago Great Western	1.6	0.8	2.18	1.03
Chic., Milw., St. Paul & Pac.	9.7	7.7	2.40	1.74
Chicago & North Western	8.0	7.2	4.66	4.27
Chicago, Rock Island & Pac.	8.2	5.6	1.53	0.93
Denver & Rio Grande Western	3.7	2.0	0.82	0.43
Great Northern	12.0	7.9	0.96	0.63
Kansas City Southern (Syst.)	4.7	1.6	2.26	0.75
Minneapolis & St. Louis	1.0	0.7	0.67	0.44
Missouri-Kansas-Texas	3.2	2.3	1.90	1.36
Missouri Pacific	13.8	8.4	3.30	2.12
Northern Pacific	8.3	6.0	0.80	0.58
St. Louis-San Francisco	6.0	3.9	1.67	1.06
Southern Pacific	29.8	21.6	1.57	1.15
Union Pacific	22.2	14.3	0.48	0.32

†Approximate millions before tax. ‡After applying 52% Fed. Income Tax rate.

On the strength of the assumption that full allowable freight rate increases apply, it would again appear that the roads are getting a good deal, and particularly so in the East. As mentioned previously, however, such an assumption is contrary to fact. A similar calculation made in connection with the 1955 wage increases and the then pending freight rate increase showed similar margins in favor of the carriers. As it became evident toward the middle of the year, however, it was not working out that way.

Wrong from Top to Bottom!

"Corn faces an impossible situation. As matters now stand, acreage allotments must under the law, be reduced 14% below the level initially announced for the 1956 crop and 27% below the level finally enacted by the Congress. It is 36% below the acreage grown during the years 1952 to 1956.

Ezra Taft Benson

"This cut is so sharp that there will be practically no compliance. Furthermore, few farmers will be able to take the even greater cut which would be necessary to come into the soil bank, which many of them wish to do. Consequently, with virtually no soil bank and no corn program, corn production could be excessive and corn prices very low. Livestock production might be unduly stimulated. The whole feed grain-livestock balance might be upset."—Secretary of Agriculture Benson.

Present arrangements may suffer the infirmities Mr. Benson lists, but basically the trouble is in the principles of farm subsidies. Nothing short of radical surgery will ever really correct the situation.

Continued from page 6

Looking Into Canadian Economy And Continuing Economic Growth

of loans it is reasonable to expect that bank funds advanced for house building under the N.H.A. plan will continue to decline.

Investment funds arise from savings. The fundamental fact of the tight money situation is that we Canadians are not saving enough to finance all the capital projects we wish to undertake. For some years this has been the case but the shortage in savings was overshadowed by the importation of capital from abroad. This year our savings have increased and so have our imports of capital. Even so, we have not been able to meet the demand for investment funds.

For the first time in many years the importance of savings to the economy is being brought home to Canadians. To assure our long term growth and our economic objectives a high rate of savings is required. As the income of Canadians has increased, savings have expanded, but not enough. If we are to build the factories, plants, houses and public utilities we want, and if we are to develop our resources, a higher rate of savings is necessary. And where better can a person entrust his or her savings than in our financial institutions, which in turn assist in financing such development?

We need to develop thrift and to encourage it with incentives. This is one of the functions of interest rates.

As I remarked earlier, our economic objectives include a stable dollar and sound growth. Unless we keep the purchasing power of the dollar on an even keel we destroy savings and discourage thrift. That, in itself, will retard growth.

Not only do high taxes reduce the rewards of savings but they make it more difficult to save. This year the Government of Canada will have a substantial surplus. Normally, we could expect a reduction in taxes. To me it seems undesirable to leave the surplus in the hands of the government for they find ways to spend it. If governments could be trusted to use surpluses only for debt reduction there would be little cause for concern. But governments are human organizations, and they find it difficult to resist the temptation to spend more if they have cash in the till; hence, the talk about a plan of national health insurance. Some way needs to be found to give the public the benefit of a tax reduction and to direct the tax decrease into saving stream if the government does not wish to place additional purchasing power in the hands of the public at this time, perhaps non-assignable certificates for the amount of the tax cut should be issued. These certificates could mature five years from the date of issue but be redeemable at an earlier date if conditions are such that expansion of the cash resources of the public is desirable.

Inflationary pressure is not the only problem with which we are faced as a result of the capital investment boom. Another factor that is disturbing is the hugh increase in our merchandise trade deficit. Imports of both consumer and capital goods have surged upward so that our import total this year is likely to be $1 billion higher than in 1955. Exports have also risen, but not by as much, the increase for the year being estimated at around $400 million. Thus, we are faced with a trade deficit of $1 billion.

Ordinarily a trade deficit of these proportions would involve financing problems and a drop in the external value of the Canadian dollar. But neither of those developments have occurred. So great has been the flow of foreign capital into Canada that the trade deficit has been financed without difficulty. At the same time the external value of the Canadian dollar has risen and the effect of this is to encourage imports and to discourage exports whereas our need is for the reverse of this.

The huge trade deficit and the size of the present flow of foreign capital into Canada are, it seems to me, vulnerable points in our economic structure. True, we need foreign investment funds to assure continuance of our postwar rate of economic expansion, but it is a little embarrassing when it comes in such substantial proportions as to cause our dollar to reach a high rate of premium in relation to the American dollar. This appears to be the position in which we find ourselves at the moment. Fortunately some of the capital inflow is in the form of machinery and equipment which does not necessarily involve an exchange of dollars. Otherwise, the premium on Canadian funds would be higher. One source of capital inflow, however, is borrowings in the United States by Provincial and Municipal governments. In taking advantage of the somewhat lower rates that prevail in the New York market, these bodies are aggravating an exchange situation which is already harmful to our exporters. They are also creating a condition which some day may prove to be costly if the United States dollar is at a premium, as it could well be, when these obligations mature.

While no immediate solution for our trade deficit appears at hand the long-term prospect is for expansion of our exports. The huge amount of money invested in resource development is now paying dividends. Iron ore is a case in point. In the space of a few years it has developed into an important export commodity and export earnings from this source should continue to rise. Crude petroleum exports are expanding at a rapid rate and in the next few years uranium should be an important source of foreign exchange earnings. Prospects are that copper and nickel shipments abroad will increase as new mines are brought into production.

Even though enlargement of our export trade is a reasonable prospect, a program for reducing our dependence on imports is desirable. In this connection Canadian firms should review their foreign purchases to make sure that alternative made-in-Canada goods are not available.

Our postwar experience is that more and more products formerly imported are being made in Canada as the domestic market expands. The matter of speeding up this process by the use of positive incentives should receive attention. There are strong arguments against the use of tariffs for this purpose. The establishment of uneconomic industries should be avoided. Perhaps a program of accelerated depreciation should be considered for companies undertaking to manufacture products now imported. Of course, such a plan could not be instituted in a period like the present when the capital investment program is already straining our resources. In my opening remarks I referred to the unsettled international situation. The so-called cold war is a struggle between two rival economic and social systems—international communism and what we call the free enterprise system. Canadian experience is striking proof of which system contributes most to human welfare.

Canadian development in the postwar period has been unequaled. Economic expansion has exceeded our fondest dreams. The fabric of our business structure has been greatly strengthened. Population has shown rapid growth. Most important, however, is the fact that Canadians generally have earned for themselves a substantially higher standard of living. No socialist country has a standard of living comparable to that which Canadians enjoy and we have achieved the enviable position which we occupy under a system of free enterprise without the surrender of any basic freedom.

Assuming peace can be maintained the prospect for Canada is continuing economic progress. Problems, there will be and the long-term upward trend may be interrupted from time to time but Canadians generally agree that Canada's future is bright. Confident as we are of this, Canadians are looking forward to the report of The Royal Commission on Economic Prospects. Expectations are, that for the first time we will have an adequate inventory of our resources. For business and those directing economic policy the inventory of resources will be of major importance but even more significant will be the guideposts it establishes for the achievement of the full potentialities of this great country of ours.

Chicago Analysts to Hold Seventh Forum

CHICAGO, Ill. — The seventh Mid-West Forum of the Investment Analysts Society of Chicago will be held on Thursday, Jan. 3, 1957, at the Midland Hotel.

This year the general subject will be on "Investment in Canada". Canada's rate of economic growth has been remarkably high in the post war years. Capital expenditures in 1956 are projected at 28% above last year's record capital program, and Gross National Product during the first half of 1956 was 12% above the corresponding period of last year. This forum will provide an opportunity to get up-to-date on the Canadian scene and its most important industries in the short space of one afternoon.

The program will open with a luncheon, to be addressed by Dr. O. J. Firestone, economic advisor to C. D. Howe, the Canadian Minister of Trade and Commerce. As one of the top economic advisors in the Canadian government, Dr. Firestone's remarks should be of particular interest. Following Dr. Firestone's speech there will be three afternoon forums on mining and metals, pulp and paper, and oil and gas, Canada's principal natural resource industries.

The Society has expressed thanks for the assistance of members of the Toronto Analysts Society who have been very helpful in securing speakers for program. A total of nine speakers are coming down from Canada. In addition to Dr. Firestone, there will be Mr. Douglas Ambridge, President of Abitibi Power & Paper Company, two men from Gairdner & Co. of Toronto on the mining and metals industry, and a five man panel on the oil and gas industry, including representatives from Merrill Petroleums, Ltd., Interprovincial Pipeline, and the Canadian Gas Association.

Cross to be Partner In C. J. Devine Co.

Joseph G. Cross, Jr., will be admitted as a general partner to the securities firm of C. J. Devine & Co., 48 Wall Street, New York City, effective January 2, it is announced by the firm. He will head the municipal bond trading department.

Mr. Cross, who has been with C. J. Devine since 1947, has been in the securities business since 1929. His previous associations include Goldman, Sachs & Co.; Merrill Lynch, Pierce, Fenner & Beane; and Smith, Barney & Co. and predecessors.

G. J. Cairns Co. Formed

SMITHTOWN, N. Y. — Gladstone J. Cairns is engaging in a securities business from offices at 35 West Main Street under the firm name of G. J. Cairns & Co.

R. Edelstein Opens

Robert Edelstein is engaging in a securities business from offices at 520 Fifth Avenue, New York City under the firm name of Robert Edelstein Co.

Great Eastern Inv. Co.

BAYSIDE, N. Y. — Great Eastern Investment Co. has been formed with offices at 67-17 218th Street to engage in a securities business. Roger Fred is a principal of the firm.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government bond market during the past year was very much on the defensive, with the tag end of 1956 bringing with it new all-time low prices for most Treasury securities. 1953 was one of the bad years for government obligations, that is until this past one, which takes first place for a long time because of the uncertain and demoralized conditions which prevailed in the market for these issues.

The demand for money and credit from business and industry was so sizable in 1956 that government securities were pushed farther into the background. The more favorable yields which were available in corporate and tax-free bonds kept the pressure on quotations of Treasury obligations during most of the year. Also, the predictions for the coming year do not appear to be forecasting any decrease in the competition for the available money and credit. This would seem to indicate that Treasury issues, and the money market, will still be under the pressure of rising interest rates.

Treasury Market Constantly Under Pressure

The demand for money and credit last year was so sizable from non-government sources that Treasury obligations were on the defensive most of the period. To be sure there were rallies in quotations of government securities from time to time, but these upward movements in prices were of short duration because the trend of interest rates was also upward, and Treasury issues had to meet this competition for the available supply of money and credit. Inflationary forces likewise were in the ascendancy during the year, which meant that the monetary authorities kept the pressure on the money markets. The several increases in the discount rate in 1956 is ample evidence that the cost of obtaining credit was becoming more costly.

However, the increase in the interest rate did not in any important way result in the deferring or postponing of financing of large projects. The high level of income taxes is one of the definite reasons why bond financing from non-government sources has not been too much disturbed by rising interest rates. After all, more than 50% of the cost of senior corporate financing is borne by the government.

Long Bonds the Greatest Sufferers

The recession in quotations of government securities during the past year was very large, with new all-time lows being registered in many of these issues. The longer-term bonds, as was to be expected, suffered the most, with the 1953 lows being breached in no uncertain terms. The 1953 lows had been the worst ones registered in many of these issues until the recent break in quotations. Tax selling, along with the lack of demand for Treasury obligations because of the more favorable yields in corporate and tax free obligations, were mainly responsible for the downward movement in prices of long-term government securities.

Important Buying in the Intermediate Maturities

The rise in short-term interest rates during 1956 brought considerable buying into these securities, with corporations being the principal takers of these issues. Private pension funds, along with those who had taken money out of the equity market, were also buyers of the most liquid government obligations. A large and active market even in the face of rising interest rates still exists in Treasury bills. The intermediate-term governments were under pressure during 1956, because the commercial banks were sellers of these maturities during most of the year.

However, yields on certain of the middle-term Treasuries have recently reached levels that are now attracting the money of investors who have had funds in other types of securities. The relatively short maturity of these obligations, the high yields and the fact that as they approach the due date quotation will move toward 100 has brought important buying of late into these issues.

Higher Yields on Non-Government Bonds

Corporate and tax-exempt obligations were offered in very large volume during the past year, and as a result yields of these securities went to levels that made them much more attractive to investors than government securities, especially the more distant ones. The market action last year of certain corporate bonds was much better than the market performance of Treasuries, because the former issue did have some minor price protection through the operation of sinking funds. The better return which has been available in corporate and tax-exempt bonds during 1956 resulted in a considerable amount of switching out of Treasury issues.

HAPPY NEW YEAR!

With Schwabacher Co.

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif. — Venorris M. Taylor has become associated with Schwabacher & Co., Bank of America Building. He was formerly with Sutro & Co. and William R. Staats & Co.

Joins Henry Hartman

(Special to THE FINANCIAL CHRONICLE)

SHERMAN OAKS, Calif. — Thomas J. Inglott is now with Henry Hartman, 13531 Ventura Boulevard.

Form Secs. Distributors

Securities Distributors, Inc. has been formed with offices at 37 Wall Street, New York City to conduct an investment business.

Forms Marc Sterling Co.

CARSON CITY, Nev. — Marc Sterling & Co., has been formed with offices in the Virginia and Truckee Building to engage in a securities business. Officers are Marc Sterling, president; Lawrence A. Nessamer, vice president; and Jack A. Makes, secretary-treasurer. Mr. Sterling and Mr. Nessamar were officers of Columbia Securities Co., Inc., with which Mr. Makes was also associated.

Form Barney Peck & Son

Barney Peck & Son, members of the New York Stock Exchange, will be formed January 1st with offices at 120 Broadway. Partners are Barney Peck and Stephen M. Peck, both of whom are Exchange members.

Soviet Gold Sales

By PAUL EINZIG

Noted British economic observer describes recent Soviet gold sales, and relates it to urgent political pressures necessitating increased consumer imports as a result of events in Poland, Hungary and even growing Russian workers discontent. Dr. Einzig points out the extent to which U. S. S. R. has exploited its satellite and how it realizes that there is a limit "beyond which the victims come to feel 'they have nothing to lose but their chains'."

Paul Einzig

LONDON, Eng. — During the first three weeks of December, gold bars with hammer and sickle hallmark reappeared on various European bullion markets. Soviet gold sales in London are estimated to have amounted to about £5 million, and it is believed that an approximately similar amount was sold in Zurich and other continental markets. Modest as the total of about $30 million may appear in comparison with the large gold movements to which we have become used during the postwar period, the transactions have aroused much interest. This is the highest figure of Russian gold sales since 1953, and it may well be only the beginning of a much larger gold movement.

This resumption of Soviet gold sales deserves attention, because it is contrary to the Soviet Government's established policy. Although the gold output in the U. S. S. R. is believed to be running at a high level, the rulers of the Kremlin pursue the end of piling up the largest possible gold hoard. This has been the official policy — apart from one brief interval — throughout the post-war period. In the late forties, when timber was desperately needed for the reconstruction of the devastated towns and villages, large quantities were exported to pay for essential imports. The Soviet Government preferred to delay reconstruction rather than part with any gold.

It was not until after Stalin's death that this gold hoarding policy came to be modified for a short period. During the short-lived Malenkov regime it was decided, in the interests of increasing the volume of consumer goods, to export some gold and other precious metals. Between October 1953 and February 1954 gold, silver and platinum to an estimated value of between £50 million and £60 million was exported. But after the eclipse of Malenkov, the more liberal attitude towards the long-suffering Russian consumer was abandoned, and the hoarding of the gold output was resumed.

The latest resumption of the sale of Russian gold is connected with the recent events in Hungary and Poland. Hitherto the Kremlin ruthlessly exploited the satellite states for the purpose of earning foreign exchange for the Soviet Union. When some years ago the Soviet Government agreed to the export of large quantities of coarse grain to Britain, it was found that the maize that was delivered was not Russian but Rumanian. Likewise, the Soviet authorities forced Hungary to export large quantities of wheat. Moscow forced the unfortunate satellite countries to over-export their grain to such an extent that there were from time to time acute shortages of this staple food in these countries. It was largely because of this exploitation that the Hungarian people, driven to despair, came to resist Soviet oppression.

The economic upheaval created by the uprising of the Hungarians and by the brutal military operations carried out by their Russian oppressors has made Hungary useless, for the time being, for the purpose of earning foreign exchange for Russia. What is perhaps even more important, the Soviet Government, having learnt its lesson is likely to be more careful in the future in its relations with satellite states. Moscow had to realize that there is a limit to exploitation beyond which the victims come to feel that "they have nothing to lose but their chains." So it seems probable that the Soviet authorities will in the future feel impelled to exercise a certain degree of moderation in exporting the goods of the satellite countries. Some of them, such as Poland, will achieve a certain degree of autonomy, which will make their exploitation by Russia more difficult.

But the Soviet Union will need more consumer goods. There is evidence of a growing discontent among Russian workers, and an increase in the supplies of consumer goods may have become a political necessity. The realization by Russian workers that it is possible, after all, to resist Soviet tyranny will go a long way towards impelling the Soviet Government to provide more consumer goods. At the same time, the Kremlin does not want to neglect either industrialization or arms expenditure. The only alternative to producing more consumer goods at home at the cost of producing less capital goods and arms is importing more consumer goods. To that end, it is essential to export more gold.

It must have been only with reluctance that the Soviet Government has resorted to that solution. The rulers of the Kremlin want the gold, not for the purpose of providing the Soviet citizen with essential goods, but for the purpose of enhancing their own prestige and power. To them a large gold reserve means just another weapon in the pursuit of their imperial designs of world conquest. It is useful to have a large gold stock in order to be able to launch out economic offensives in uncommitted countries. It may even serve the purpose of engaging in operations on Stock Exchanges in foreign exchange markets and commodity markets if in doing so they can cause trouble to democratic countries.

First things must come first, however. An increase in the import of consumer goods has become an urgent necessity to such an extent as to make it expedient to weaken to some extent the economic cold war potential represented by the gold reserve. The misers of the Kremlin may hate parting with their gold, but they part with it all the same, since the alternative is the risk of disturbances by consumers who have reached the limit of their endurance.

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The Supply of Currency And Economic Activity

encountered in increasing money supply. There have been occasions in the past when it was not so easy to increase it. Excess reserves in huge amounts accumulated in the Thirties. Governments were bid up to prices that left almost no yield. But banks either did not think is wise to expand their loans proportionately or else there were not enough borrowers. . . .

". . . It should be clear that the subject should be approached in a more realistic and practical way than is common among so many today who have most to say on the subject. It does not seem to us that much is to be gained by comparing total 'money supply' with changes in the business weather. There are far too many and too complex variables involved. Least of all is there much excuse for merely assuming that some casual relationship exists between the two.

"Money, credit and related topics have been controversial since time began. They are likely to remain so for a long while to come. But, by all means, let's have the controversy on a plane of realism."

It is good to be able to read those observations. Their author has gone to the heart of a major fallacy in the common arguments dealing with the supposed relationships between currency supply, business activity, prices, or some other consideration such as gross national product. He is far ahead, in his insight into facts, of the general run of literature on the subject.

The common practice of those who stress the "money supply" as an important casual or controlling factor in economic activity is to relate the currency supply to some index of prices, or of industrial production, or of gross national product. In practically every instance in which this is done, one finds an absence of supporting evidence and lack of logic in analysis. Perhaps the most common approach to the supposed effects of changes in the volume of currency relates to their alleged relationship to prices.

Why the supply of currency should not be related directly to prices.

(1) Currency has two dimensions—supply and velocity. It also has other characteristics which sometimes vary widely. But confining ourselves to these two, the increase or decrease in the velocity of a currency is sometimes more important than changes in the supply. This was the case in 1929-1932 for example. One should never deal with currency supply apart from its velocity—the rapidity with which the currency is being used — when considering purchasing power. The closest we can come to a measure of supply of currency multiplied by its velocity is to use figures on bank debits. A table on bank debits and deposit turnover (velocity of demand deposits) appears in the monthly *Federal Reserve Bulletin.*

But these figures have great limitations for these reasons, among others: (a) They represent checks and drafts drawn against demand deposits in 344 reporting centers only. (b) Even in those centers debits against interbank and U. S. Government accounts are excluded. (c) The use of time deposits as purchasing power is omitted. (d) We have no data on the velocity with which money (metallic and paper) is used. (e) We cannot determine what proportion of bank debits, as reported, is used for payments for goods and services—past, present, and future — and what proportion constitutes merely transfers of deposits from one bank to another without payment for goods or services.

Nevertheless, if we wish to know what people in the aggregate are doing with their currency in respect to the making of payments for goods and services, we probably cannot come closer to facts than to use bank debits as roughly indicative in the face of their many defects and pitfalls. Debits to deposit accounts include both the supply of deposits used and the rapidity (velocity) with which they are used.

(2) But if we had adequate data on the volume of payments made by people at a particular time, we still could not relate these payments closely to prices of goods and services being sold at that time for several reasons: (a) some of these payments are going for goods and services produced and priced weeks, months, and years past—for example, partial or full retirement of debt, interest payments, settlement of contracts, indemnities as the result of court decisions, gifts for past favors, and so on. Some payments are made in anticipation of goods or services not yet produced or finally priced. Probably relatively few goods and services are priced at the time payments are made—we do not know. But as we go to retail stores we know that the prices, for the most part, were fixed sometime before we exchanged our currency for the goods purchased. So it is with automobiles, and, apparently, with most other things people buy or pay for. Auctions provide an example of prices being determined by the supply of goods on hand and the payment offered and made.

(b) Prices are measured officially by index numers. These are mathematical abstractions of the samples of prices collected from time to time. But these samples are of current prices. They do not include past prices for goods and services for which currency still flows in partial payment — for example, for freight cars or locomotives produced, priced, and delivered 10, 20, or 30 years earlier, or for houses purchased with a large margin of credit many years ago. Nor do they include the prices of goods which are yet to be fixed but toward which, in partial payment, some of our currency flows.

In brief, an index for prices at a particular time relates only to a segment of our goods and services against which our currency flows like a stream. This fact alone should reveal the indefensibility of attempting to relate the total flow of payments for a day, week, month, or year, against only those goods and services whose prices are reflected in index numbers of that time, since that flow of currency is against goods and services produced, priced, and delivered in the past (some foreign), against goods and services not yet produced, priced and delivered, and against goods and services whose prices are quoted now but largely produced and priced in the past.

(3) Should one be able to measure the volume of payments being made at a particular time and to segregate those going for goods reflected in our indexes of a particular date or period, he still woud be on unsound ground in attempting to relate the volume of payments being made to the prices in the index numbers for the reason that there are all the factors affecting the supply of goods offered and priced and the psychological factors affecting both buyers and sellers. The considerations affecting the determination of asking prices are endless and often exceedingly complex. And a large portion of goods offered for sale are sold at the asking prices established for a considerable period of time as in the case of automobiles.

Price making and the relationships of purchasing power to prices at a particular time are much more complex than our common discussions reveal.

(4) As the supply of currency is often employed in attempts to relate it in some manner to prices we are confronted with another peculiar phenomenon. A common practice is to refer to money outside banks and to demand deposits in banks, or demand and time deposits, as our total currency supply. When metallic and paper money leaves banks, we lose track of it. We do not know whether it is being hoarded or spent; and we do not know how rapidly it is being spent. It should be obvious that only money that is spent can have any direct bearing on prices and even then it is difficult or impossible to determine what that bearing is.

Bank deposits represent possible currency which is *not* in use. Those are the deposits which are in the banks when the banks report on their volume of deposits. Bank debits represent the use of deposits. It is checks and drafts against bank deposits which constitute active purchasing power. Bank deposits not in use are potential purchasing power.

Therefore, to relate the volume of money outside banks, the use of which we cannot trace, and bank deposits which, apart from debits are not in use, to a segment of prices, most of which probably were determined in times past, is to engage in an enterprise which is buried in confusion and is without valid defense.

A survey of evidence should make clear why the supply of currency, as commonly calculated, should not be related to prices in any close cause and effect manner.

Were our expounders of "the quantity theory" of the value of money to check their contentions against the evidence—quite apart from the lack of logic in what they attempt to do—they should soon learn that the evidence refutes them.

For example, on June 30, 1920, money outside banks is reported as $4,105,000,000, deposits of all banks as $35,754.000,000, total, $39,859,000,000. The index of wholesale prices is given as 167 (prices for 1926=100). On June 30, 1936, money outside banks is reported as $5,222,000,000, deposits of all banks as $49,832,000,000, total $55,052,000,000. The index of wholesale prices is given as 79.2.

Therefore, if there is a close relation between the supply of money outside banks and bank deposits, on the one hand, and prices on the other, as measured by the index of wholesale prices, the evidence in this case would require one to state that if one wishes the index of prices to be reduced by more than half, the volume of money outside banks and deposits of all banks should be increased by approximately 38%.

Further considerations in respect to the lack of a close relationship between the currency supply and prices.

Apparently there is no accurate means by which one may get at the relationship between the volume of currency used to purchase the goods and services which enter our present indexes and the prices of those goods and services. And there clearly is no proper basis for attempting to relate the supply of money outside banks and bank deposits to the prices in these indexes.

If a nation continues to pump a huge volume of currency into the economy, as did Germany, for example, during and after World War I, prices tend in due course to respond in some manner though not in any close cause and effect relationship. That German episode was somethat analogous to the inflation of a big balloon by pumping gas into it. The canvas may lie flat on the ground for some time as gas is injected. And should the gas find holes in which to penetrate, the canvas may rise slowly or perhaps not at all for a considerable period of time. The canvas might even sink should a depression in the ground exist or occur. We had an analogous state of affairs in the 1930's when a currency gas was being pumped into our economy. But if factors are favorable and if the gas-inflating process is strong and persistent then the balloon commonly expands in due course.

But that is hardly a quantity theory of the value of money of the type to which we are being subjected these days by our advocates of managed irredeemable currency who contend, first of all, that there is a close relationship between the volume of money and deposits, on the one hand, and of our indexes of prices on the other, and second, that by juggling the supply of currency they can control prices.

The Board of Governors of the Federal Reserve System had had enough experience and a had sufficient evidence by 1939 to warrant a statement of fundamental importance which they issued at that time. Their major contentions stated in March 13, 1939, were as follows:

"Experience has shown . . . that (1) prices cannot be controlled by changes in the amount and cost of money; (2) the Board's control of the amount of money is not complete and canot be made complete; (3) a steady average of prices does not necessarily result in lasting prosperity; and (4) a steady level of average prices is not nearly as important to the people as a fair relationship between the prices of the commodities which they produce and those which they must buy."

Sixty-six monetary economists declared that statement to be "in harmony with well-established economic principles and with the facts of monetary history." But today one could readily conclude that the Board never issued such a well-grounded statement or that it has been demonstrated to be false.

The Board's statement that "prices cannot be controlled by changes in the amount of cost of money" is as accurate today as it was in 1939. But we are living in an atmosphere of government-ally-managed economy; and much of the so-called "economics" being propounded is political propaganda covered, is so far as the authors are able to do so, with garments mislabeled "science."

Science in Economics is taking a tremendous beating at the hands of our propagandists for governmentally-managed economy. It is elemental in science that one get his evidence before he generalizes. If the authors of our quantity theories of the value of money today consulted the evidence on the lack of close relationship between the supply of currency and prices, it should be quite clear to them that they are operating in the areas of imagination or wishful thinking, not fact.

The supply of currency and the index of industrial production.

A study of evidence should reveal that there is much the same lack of relationship between the currency supply and the volume of business being done as between the volume of currency and some index of prices.

The facts are easily ascertainable that the volume of currency and the depreciation in its purchasing power can become so great, as in Germany in 1920-1923, that productive activity stagnates and the people are reduced "to brown bread and paper clothes."

Writing of the experiences of France with fiat money during the last decade of the 18th Century, Andrew Dickson White, in his *Fiat Money Inflation in France* (D. Appleton-Century Co., New York, 1933 edition), stated, p. 23, that "Though paper money had increased in amount, prosperity (following the initial artificial stimulation) had steadily diminished. In spite of all the paper issues, commercial activity grew more and more spasmodic. Enterprise was chilled and business became more and more stagnant."

There are many factors which affect business activity besides "the supply of currency." One can look at the records in country after country in Europe during, say, the last 50 years and note that although expansions and depreciations were great, productive activity not only did not increase correspondingly but often or usually declined.

Often, if a people are not unduly disturbed by the quality of their currency, business expansion and currency expansion may keep close company for the reason that the business expansion causes currency expansion. But to contend, as is often done these days, that currency expansion by governmental or Federal Reserve authorities can or will cause business expansion, is to generalize improperly. The *Editor of the Commercial and Financial Chronicle* was quite correct when he reminded his readers of the consequences of such currency expansion in the 1930's. "Excess reserves in huge amounts," said he, "accumulated in the 'Thirties. Governments were bid up to prices that left almost no yield. But banks either did not think it wise to expand their loans proportionately or else there were not enough borrowers." The sharp drop in prices in the stock market at the time President Eisenhower suffered a heart attack was not because there had been a sudden contraction in "the currency supply."

A few samples of the lack of relationship between changes in the currency supply (money in circulation — that is, outstanding from the issuing authorities—and deposits in all banks in the United States) and the index of industrial production (adjusted for seasonal variation, indexes for 1935-1939=100) may be helpful: While the currency supply declined .2% from June 30, 1926, to June 30, 1929 (from $58,443,000,000 to $58,311,000,000), the index of industrial production increased 20% (from 95 to 114). While the supply of currency increased 2.7% from June 30, 1929, to Dec. 31, 1929 (from $58,311,000,000 to $59,867,000,000), the index of industrial production declined 12% (from 114 to 100). While the currency supply increased 9% from June 30, 1933, to June 30, 1934 (from $43,432,000,000 to $47,243,000,000), the index of industrial production increased approximately 1% (from 78 to 79). While the currency supply increased 7% from June 30, 1937, to June 30, 1939 (from $59,734,000,000 to $63,840,000,000), the index of industrial production fell

16% (from 119 to 103). While the currency supply increased 132% from June 30, 1941, to June 30, 1945 (from $76,784,000,000 to $177,779,-000,000), the index of industrial production increased 39% (from 159 to 220).

The frequently-advanced contention these days that we should have an increase in industrial activity of approximately 3% per year and that to obtain it we should have a corresponding increase in currency supply has no validity in fact as the few samples of data given above and the facts of cause and effect relationships should reveal.

But such available evidence does not seem to deter a considerable number of our popular (and other) writers on these subjects—our quantity of money theorists—as they carry on their agitation for more and more currency in this nation.

The supply of currency and the gross national product and national income.

It is a peculiar brand of thinking which leads some of our quantity-of-money theorists to relate the quantity of our currency to figures on gross national product and national income which comprehend many factors besides the supply of currency.

The net income or profit of a business enterprise may have no close relationship to the supply of currency. And that may be true of private enterprises in general at various times. For example, at the peak of a business expansion, just before a general business recession gets under way, the currency supply may be greatly expanded as compared with some preceding period, but profits margins may be contracting or disappearing because costs have approached or overtaken asking prices.

The concepts involved in gross national product and national income are not the same as profit in private enterprise. Gross national product is, briefly, in concept, the estimated national output for a period, say, a year, valued in terms of market prices; national income is the net national product paid to the factors of production.

One quickly becomes involved in intricate concepts and statistical techniques when he deals with gross national product or national income. But perhaps it will suffice for our purposes here to point out that figures on gross national product include expenditures for war, waste, and destruction, that they reflect a depreciation in the purchasing power of the currency involved, and that such figures are not necessarily a measure of economic well-being. Still further, in their production, estimates, guesses, and extrapolations are made in many areas where the evidence required is not available, and then adjustments are made to produce the balance sheets called for by the concepts employed.

Nevertheless, in this country, there appears to be a strong tendency to regard the figures produced as highly accurate measurements of economic activity or national production, or national well-being. And it seems to be taken for granted by many people who comment upon changing figures for gross national product that an increase in the figures means an increase in national well-being. Still further, the notion seems to be widespread that if the currency supply is expanded, gross national product tends to expand, which often, probably commonly, is true, and that, since the gross national product figures are larger, the national well-beiing has increased correspondingly.

We should be warned by the fact that if the Germans during and after World War I and up to 1923 had used figures on gross national product, as we use them today, the figures should have been fantastically high, particularly during 1920-1923, when that currency expansion and its depreciation were reaching their most extreme levels at which time the Germans were being reduced to the standard "of brown bread and paper clothes."

We should also be warned by the fact that our figures on gross national product during World War II and after peace was restored were higher in 1944 and 1945 than in 1946. War, waste, destruction, and a depreciating currency expand the figures on gross national product. Elimination of these forces tends to contract the figures on gross national product. Surely one may not properly allege or demonstrate that a nation living in peace, avoiding waste and destruction, and operating with a sound and honest currency, is less well off than it is when the converse conditions prevail.

Spending for almost any purpose, no matter how wasteful or destructive, and the use of irredeemable currency to magnify such activities, are Keynesian concepts as to how to produce "economic prosperity." The basic Keynesian concepts — including that of savings — investment, despite the fact that commercial banks operating on a fractional reserve system can extend credit far beyond any savings in their possession—constitute the framework on which our figures for gross national product are fabricated.

For the benefit of those who assume that an increase in our currency supply increases the figures on gross national product in some closely related manner and that, therefore, the supply of currency should be expanded progressively, perhaps it might be helpful to point out that while the currency supply increased 7% from June 30, 1937, to June 30, 1939 (from $59,734,000,000 to $63,840,000,000), the increase in the figures on gross national product was practically zero (from $90,200,000,000 to $90,400,-000,000). When the currency supply increased 132 per cent from June 30, 1941, to June 30, 1945 (from $76,784,000,000 to $177,779,-000,000), the figure on gross national product increased 70 per cent (from $125,300,000,000 to $213,400,000,000) — if there is any important degree of accuracy in the latter figures.

Back in the early 1930's, the income-multiplier concept (sometimes called income velocity, sometimes the "investment" multiplier) broke loose in this country, a common form of the theory being that for every dollar spent national income could be expected to increase to $3. Keynes expounded such a concept. He called it the investment multiplier — for every dollar of income invested, national income would be increased by some multiple such as 3. His spending for "investment" was soon stretched by our Keynesians to mean spending for anything. Spending became a virtue, saving antisocial, and spending became the basic framework supporting our figures on gross national product.

Lauchlin Currie, in his *Supply and Control of Money in the United States* (Harvard University Press, Cambridge, Mass., 1934), expounded the concept of income velocity in which he alleged, p. 6, that as the currency supply expanded national income was increased, for the years 1921-1929, by multiples ranging from 2.58 to 3.26, the average being almost precisely 3.

Currie became a tutor of Marriner Eccles in the Treasury and later at the Federal Reserve Board in respect to this concept; and when hearings on the Banking Act of 1935 were held that year, Eccles propounded the Currie income-velocity theory for the benefit of Congress. (*Hearings before the Committee on Banking and Currency, House of Representatives, on Banking Act of 1935*, February-April, 1935, p. 217.) The majority members of Congress were thus presented with a theory that conformed to their desires. According to this theory, which was suddenly propounded and expounded by several influential Keynesians, Congress could not afford not to spend. Every dollar spent by the government was supposed to provide $3 of national income. Congress could only spend this nation into prosperity.

From that time to the present, that doctrine, in one form or another, has had an unshakable grip on our government and on the people of this nation. Our college textbooks in Economics are saturated with it. Heavy government spending, regardless of how wasteful or how destructive the activities involved — often called government investment to disarm those opposed to waste and profligate government spending — is approved and praised. It means, other forces unchanged, an expansion in the figures on gross national product; and an expansion in gross national product is, apparently, generally regarded as good irrespective of waste, destruction, and the depreciation in the purchasing power of our currency.

Since the ballooning of the figures on gross national product is commonly advertised as revealing an increase in our economic well-being, there is in this connection a strong pressure for a steady increase in the supply of our currency.

The ready and uncritical acceptance of our statistics on gross national product and of the inferences commonly drawn as to how they reveal the state of our well-being is one of the genuinely bad manifestations of these times.

Similarly, the quantity theory of the value of money as related to prices and economic activity, which theory ordinarily has its roots in the utterly fallacious equation of exchange expounded by Irving Fisher in his book, *The Purchasing Power of Money* (The Macmillan Co., New York, 1911), and which has permeated and corrupted practically all our textbooks on Economics, has obviously taken a firm grip on the general run of our writers who persist in stressing some alleged relationship of the quantity of currency to prices, or productive activity, or gross national product.

Relatively few authors have penetrated and shown the fallacies in Fisher's so-called equation of exchange. Wesley Mitchell did something of a job on it in his *Business Cycles: The Problem and Its Setting* (National Bureau of Economic Research, New York, 1927), pp. 128-139, but a large proportion of our textbook writers and others continue to expound the fallacious Fisher doctrine in some form.

Generalizations in this area, based upon sound logic and upon the evidence produced by scientific methods, appear to be relatively few indeed. We prefer popular and current labels, slogans, statistical monstrosities, and superficiality to fact-gathering and generalizations based upon evidence. We cherish our statistical nonsense if it points in the direction we think we wish to go —for example, we seem to cherish especially the increases in our figures on gross national product and the expansion of our currency supply since both are widely regarded as indications of greater economic wellbeing.

In the light of common experience and of logic, our present sense of euphoria can be expected to end either in an economic crash, when costs finally overtake selling prices in areas of strategic importance, or in a progressive depreciation of our currency, or both. The desires for a progressive depreciation of our currency are strong in this country. Such depreciation is widely assumed to be preferable to any natural and proper readjustment needed to terminate and to squeeze out unhealthy forces in our economic system. In that attitude lies a powerful force pointing toward a further decline in the purchasing power of our currency. On the other hand, those who have that attitude may be confronted in due time with the fact that forces beyond the control of our monetary and fiscal managers are precipitating the readjustments which our optimists still insist belong to some limbo of the past.

Purchasing Agents Optimistic About 1957 Business Outlook

Year-end dip found not to have dampened reporting purchasing agents' general optimism for 1957, but incongruously, this viewpoint is reported to be in conflict with December figures which show new orders and production decidedly down and inventories up.

The December 23rd "Bulletin" of the National Association of Purchasing Agents, which reflects the composite opinion of the purchasing agents comprising the NAPA Business Survey Committee, whose Chairman is Chester F. Ogden of the Detroit Edison Company, states: "The over-all optimism of purchasing executives, concerning the business outlook for 1957, is somewhat offset by a postelection lull in current conditions."

Continuing, the NAPA Bulletin points out, "the reports on December business further substantiate last month's tempered enthusiasm for the present business situation. However, this year-end dip has not dampened the general optimism for 1957. Some 34% of those who answered our special survey question about 1957 prospects say they think the first six months will be higher than the corresponding 1956 level. Only 5% see it lower. An even greater number, 42%, think the full year of 1957 will surpass the year now closing. However, 15% are less optimistic and predict a poorer total year. The remaining reporters do not anticipate any difference in the two years.

In many instances, however, this bright picture is clouded by concern over the international situation, the tight money problem, and an expected decline in construction, particularly in the housing field.

The long-range optimistic viewpoint expressed is in conflict with the December figures, which show new orders and production decidedly down and inventories up. Not since January 1954, have so many reported a decline in the new order situation. Production, of course, reflects this lower new order position and only 24% say their situation is better, as compared to 39% last month. 18% report lower production, as compared to 8% in November.

Inventories are up significantly, with 30% of our reporting members having more purchased materials on hand. Only 17% were in this position in November.

Prices continue their upward movement—but at a reduced rate, and there is much evidence of increased buyer resistance to price increases.

Lead time on new commitments continues its trend toward a hand-to-mouth basis. With a few well-recognized shortages still evident, materials are generally in ample supply.

Employment remains high and steady.

Commodity Prices

The general price movement is still upward, but the leveling trend that started in October is again reflected this month. Fewer members report price increases than in any month since last June. Furthermore, there are evidences that, in specific commodities where capacity is in excess of demand, quotations are being received at less than "established" prices. There is, apparently, a growing resistance to price increases and a general feeling that, in order to avoid a squeeze on 1957 profits, business is going to have to offset higher labor and material costs with more efficient operations.

Inventories

A marked reversal of the declining inventory trend, that has been prevailing for the past several months, appears in the December reports. Where only 17% reported inventories up in November, 30% indicate higher inventories this month. With production and new orders off, it is logical to expect that deliveries on previous commitments would temporarily build up inventories.

Employment

The relatively small number, 17%, reporting employment greater this month is about equal to those reporting it as less. In general, most purchasing executives believe that employment has reached a stable level and no significant change either up or down is expected in the near future.

Buying Policy

Last month's reported shift toward the 30-day range in buying production materials received further confirmation in December. Over one-third of the members reporting are now in this range—highest reported since May, 1955, when the buying policy categories were separated into the present three components.

On MRO items, 92% are buying such requirements within less than 60 days' lead time.

Forward buying on capital expenditures continues to lengthen, as 66% say they now require 120 or more days.

Specific Commodity Changes

There is much less reported emphasis on price changes this month, either way, than for some time, indicating a much better balance in supply and demand relationships.

On the up side are: Nickel, steel scrap, methanol, dyestuffs, paper, sugar, vegetable oils, coal, fuel oil, rubber, asphalt, sand and abrasives.

On the down side are: Some copper items, tin and lumber.

In short supply are: Nickel, steel (plate, structural, shapes, pipe and tube), and cellophane.

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As We See It

which there can be little dispute among informed and dispassionate persons.

There is, first of all, a sound basis for lack of confidence in the word or agreement of some nations. This is particularly true of Soviet Russia and Communist China. The only possible way in which confidence in these countries can be nurtured is for them to begin to establish a record of keeping their word. On the record their word is worthless, and any country which proceeds on the basis of faith in what the rulers of these land's say is giving hostages to fate. We made such a mistake with respect to Japan a decade or two ago. We could hardly be expected to fall into a similar error in other cases now.

This would seem to set very definite limitations upon the extent of any disarmament which we could afford to undertake in the circumstances now existing. It calls into question suggestions, implied if not expressly stated, that we abandon a number of bases we now hold in various parts of the world—unless and until a different world situation has somehow been evolved. It calls for care and discretion in entering into any broad agreement with Russia on China where our safety would be impaired by treachery on the part of those with whom we made bargains.

Suspect, Too

At the same time we must face up to the fact we stand suspect in the eyes of such countries as Russia and China and without doubt will remain so as long as we ring them with bases, and so long as we undertake an active role in the affairs of nations and peoples many thousands of miles from our own border or our own professed interests, as interests are defined in conventional world politics. The point we are raising is not the wisdom of maintaining such bases or of taking active parts in this and that area. It is certainly not to imply that we have any concealed or ulterior motives in what we are doing. It is merely to say that it is inevitable that the rules of traditional world politics will be applied by many peoples of the world in interpreting us and our programs. There is in a certain sense, therefore, a solid basis for foreign suspicion of us — particularly among those peoples who have been in active competition with other imperialists throughout the centuries or else have been the victims of what is now known as colonialism.

The ability to defend ourselves is not merely a matter of having more soldiers, more guns, better guns, more or better planes, more or better ships, or even more or better atomic weapons, as important as such things are for the purpose in hand. We had none of these things when Japan struck at Pearl Harbor, yet when the war came to an end in 1945, we were universally recognized as the greatest destructive force in the world. The development of atomic fission and fusion has changed many things, but it has not altered the fact that more than armament in being is essential to successful conduct of all-out war. The burden of modern armament is heavy. Carried to extremes it could so weaken a people that the net result would be quite the opposite of what is intended.

But fully as important is the careful maintenance of a climate which encourages economic progress and productive activity. A country ready to produce armament in almost astronomical amounts in the case of necessity—ready in the sense of having an economy capable of it and a people productive enough for it—is the country which will demand respect from all. This is not merely a matter of avoiding placing crushing armament burdens upon the people. It is rather the sum total of all those public policies which directly or indirectly are helpful or harmful to the spirit of enterprise and the capacity to be productive. A sound economy at home is of first rate importance as a defense measure.

Usefulness Limited

The usefulness of government loans or government-sponsored loans is definitely limited. This is true also of loans made through the instrumentality of one or another of the international agencies now active. Mostly these are largely loans by the people of the United States in any event. But experience clearly shows that most of the advances of this sort have no very sound economic basis, and that they go "sour" sooner or later and leave ill will and friction instead of the constructive achievements they were designed to accomplish. International flow of investment funds had best be left to private business, with government taking care not to get in the way and making certain, so far as that is feasible, that private business gets a square deal.

As to grants-in-aid or outright gifts, their success and the wisdom of making them varies with circumstances. There have been occasions when excellent results have been obtained. There may well be some such situations existing today. The good results to be obtained in this way, however, are obviously — obvious from the history of such matters—far less than is apparently supposed in many quarters. Effort to fill "vacuums" in the Middle East or elsewhere in the world by pouring out of our substance in typical generosity is more or less certain to fail for the most part, leaving hard feelings in the end rather than good will and a basis for peace and freedom in the world.

The international tasks by which the Eisenhower Administration is faced, and the remainder of the world is faced for that matter, are thus seen to be extremely difficult. There is no ready-made solution for them. But good will and a determination to succeed, coupled with good hard sense, should bring results in time.

Continued from page 10

New Process of Competition To Maintain Dynamic Growth

for its purchaser. The producer stands behind his product to maintain the integrity of his brand.

Producers' Interest in the Merchant

The producer has a vital interest in the merchants who retail his product and provide the services associated with it. What the producer seeks are **allies** who share his faith and enthusiasm in his product, who are eager to join with him in making everything about that product desirable to the consumer—its availability, its convenience, the reliability of its performance, the quality of the services rendered in connection with it, and of course its price.

Finding such allies, the producer offers every means at his command to assist them in becoming skilled in the management of their businesses, for his success is largely a question of their success. The retail merchants, in turn, find their competitive effectiveness greatly strengthened by the talents and resources of the producer — in advertising, merchandising; training in sales and in business management; in performance guarantees and in the character and reputation of the brand. Together, they constitute a team which pits its combined talents against other similar teams that likewise are seeking to win the patronage and loyalty of the consumer. Thus there is brought to bear in the marketplace of consumption, a tremendous, dynamic competitive force. Contrast it with Mr. Jones' shoe store!

No one in the oil industry—or any other industry suddenly thought up dynamic distribution and put it into effect. It came about because of the desires of consumers themselves.

Stocking One Brand

Very quickly, let's trace the history. By the early 1930's, it was apparent to practically everyone in the oil industry that motorists preferred to buy gasoline at stations that handled only one brand. The American people were becoming increasingly brand conscious. They wanted their products in the original package. They felt assured, in that way, that they got what they wanted and paid for. Because of the nature of gasoline, as a bulk liquid, the entire service station became the "package" and the brand identification on that package enveloped everything on the premises — products as well as services. The split-pump, or divided, station began rapidly to disappear.

Next, the success of the "one-stop" station became apparent. Motorists were demonstrating a strong desire to obtain automotive services and automotive accessories at the place they bought their gasoline and motor oil. The reason is obvious. Services are connected with the sale of gasoline and oil. These products are put **in** the car. Services are likewise connected with the sale of TBA. These products are installed **in or on** the car. As the automobile grew more complex, the fewer the hardy souls there were who had a taste for changing an oil filter, connecting a new battery, or putting a new tire on the rim. The service station offered an inviting, open driveway and quick, courteous and competent service. Enter TBA!

It was natural, then, that TBA should fall into the pattern of dynamic distribution that had developed for petroleum products. It brought the same benefits to the consumer and to dealer. Both gained because the TBA products identified with any one brand of gasoline were no longer objects of passive interest to the producer of that brand of gasoline. Their quality and price became matters of direct concern because they were a part of the total brand package — capable, through association, of enhancing or damaging the attractiveness and reputation of the brand.

Consequences of New Distribution

As I see it, there have been two important consequences of the way TBA distribution has developed in the oil industry. The first is that competition in the sale of those TBA products which are sponsored by supplying companies has been greatly intensified. Whether the TBA item is manufactured by the supplying company; or bought, warehoused, resold and delivered by the supplying company; or sponsored through brand association by the supplying company—I believe the effect in intensifying competition in the marketplace is the same.

For the consumer, there is no better protection than intense competition.

The second important consequence is that the service station dealer gained the same advantages in selling TBA that he had in selling gasoline — advantages in advertising support, merchandising, training, inventory management, credit, assurance of supply, performance guarantees and brand identification.

I seriously doubt that I have said anything new to you. My purpose in reciting these things is to draw the issue on the problem I referred to at the outset—the problem of the clash between the realities of progress in competing more effectively to serve the consumer, and the older concepts of what is, or isn't, competition.

Re-Think Antitrust Policy

Clare E. Griffin, who is the Fred M. Taylor Professor of Business Economics at the University of Michigan, explores this question in the current issue of the "Harvard Business Review." Professor Griffin's keen insight into the problem has been further sharpened through his membership on the Attorney General's National Committee to study the Antitrust Laws. He argues that our antitrust policy, including both legislation and enforcement, is a **jumble** because it operates on an unrealistic interpretation of the term "competition." A matter of the old concept clashing with the new reality!

Out of this clash has come such confusion in national policy that, whatever it is that competition is supposed to be, we have laws to maintain it, supplement it, moderate it and regulate it. Add to that the multitudinous interpretations of the courts and enforcement agencies and it is no wonder that we businessmen sometimes are as befuddled as the farmer who stood in the pasture and tried to remember whether he had just found a rope or lost a cow.

Professor Griffin pleads for an earnest effort to re-think our antitrust policy in the interest of developing realistic concepts of competition consistent with the kinds of business relations and organizations which contribute most effectively to economic growth and welfare. We must have, he says, a fresh approach to the concept of **socially useful competition.** What he is saying is that we need to replace the classical theories under which Mr. Jones' shoe store is upheld as a model of desirable competition.

I am sure we can help in developing the new theory of competition—not in the narrow sense of what is "good business" but in the sense of best serving our great industrial economy. But that is a long-term undertaking in which businessmen can play only one part. Economists, lawyers and government administrators must of necessity play the major role.

Meantime, the confusion gives us matters for more immediate attention.

A Better competition

Let us first recognize that the confusion exists, and that it provides opportunity for those who attack us to prey upon the misunderstanding it breeds. I believe the dynamic distribution practices of the oil industry represent a forceful, beneficial competition which older classical tests of competition do not even detect, let alone measure. Yet the older concepts remain as an ideological structure to which our critics cling as they shout accusingly that we are using a long-handled spade when custom and tradition—and maybe even the textbooks and lawbooks—say the better instrument is the kadalie. The question is—or should be—does the long-handled spade serve the socially desirable purpose better?

Next we must be certain in the essential rightness of our own beliefs about competition. If you believe as I do, you believe that competition is not an end to be glorified in its own right, but a **method** whose sole purpose is to serve the interests of people—not only now but in the future through the constant pressure for inventiveness and progress that it brings to bear. It is not static—something that can be measured at any moment by such statistical methods as counting the number of buyers and sellers—but is dynamic and subject more to measurement in terms of performance and result.

Finally, we must be aware that some of the gravest misunderstanding growing out of the conflicting concepts of competition exists within our own industry. It is from within the industry that many of the complaints originate which lead to charges of anti-competitive, or monopolistic, action. In getting sales, we have sometimes failed to get misunderstanding on the part of those who are our allies in the competitive battle for customers. We have not properly interpreted our action or intent to them, or perhaps we have even neglected to develop complete understanding among the members of our own marketing organization.

In marketing TBA, no less than in marketing any of our products, opportunity exists to generate problems as well as to win understanding and appreciation. Mutual trust and respect are as essential in any successful alliance as is community of interest. These are developed both by words and deeds, based on a realistic evaluation of the interdependency of relationships which exist between ourselves and the local businessmen allied with us in competing for customers in the hometown markets across the land.

Must Progress

Winning understanding of the ways in which dynamic distribution strengthens competition to the advantage of both the consumer and the retail dealer is the great challenge that confronts all of us who are concerned with marketing. Marketing in the oil industry, as you well know, is the target for reactionary proposals of great variety, including public utility control and divorcement. They would set the oil industry back 40 years, to the days of Mr. Jones' shoe store. It seems strange, in this jet age, to hear someone shout, "Get a horse!" I conceive it to be our job to help update the antique ideas — to help keep America progressive.

We are dedicated to the principle of competition, and to that principle our dedication will be unswerving. But we need to understand the new process of competition made necessary by the dynamic growth of our economy, and to develop better tests for the measurement of competition. One cannot explain that which he himself does not understand. Nor can one gain agreement on the value of something until there is agreement on the tests to be applied to measure its value. We must be both pioneers and missionaries in developing understanding, first within our industry and then among the public. Only then can the principle of competition be protected from the strangling consequence of regimenting the ways in which competition expresses itself. And only with such protection can competition be preserved as the dynamo that drives us unceasingly in serving yet better and more fully the interests of all the American people.

Form Mufin Co.

S. R. Cornell is engaging in a securities business from offices at 329 West 57th Street, New York City, under the firm name of Mufin Company.

White, Weld Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Harold B. Meloth has been added to the staff of White, Weld & Co., 523 West Sixth Street.

With Richard A. Harrison

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Charles L. Simpson has become affiliated with Richard A. Harrison, 220 Sixteenth Street.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The First National City Bank of New York has appointed Sidney A. DaCosta an Assistant Manager — Advertising and Philemon N. Hoadley an Assistant Manager—Public Relations. Both are members of the Public Relations Department.

Mr. DaCosta's duties are concerned with the bank's national and local advertising, while Mr. Hoadley's duties are with the bank's television and promotional programs.

Mr. DaCosta, a graduate of Rutgers, class of 1948, has been with the bank since 1952. Mr. Hoadley, a graduate of Dartmouth, class of 1950, has been with the bank since graduation.

* * *

The following official promotions at **The Bank for Savings in the City of New York,** effective Jan. 1, 1957 are announced by Alfred S. Mills, President of the Bank:

Edwin G. Picken, Vice-President; William P. Schweickert, Jr., Assistant Vice-President; Daniel L. Chamberlain, Assistant Vice-President.

New officers appointed from members of the staff include:

John A. Baker, Assistant Secretary; John J. Fischer, Assistant Secretary.

* * *

The First National City Bank of New York announced the appointment of Daniel C. deMenocal as Assistant Vice-President, and Leo B. Cooney, H. Eric Schmidt and Reginald P. Vincent as Assistant Cashiers.

* * *

Walter E. Dennis has been appointed an Executive Vice-President of **The Chase Manhattan Bank, New York,** J. Stewart Baker, President, announced on Dec. 20. He will be in charge of the bank's national territorial organization, succeeding George Champion, who will become President of the bank on Jan. 1, 1957.

Mr. Dennis, who is 51, has been with the bank for 30 years, serving with the branch loan committee at the head office from 1931 to 1946. He was appointed a Vice-President in 1945 and during recent years has supervised the bank's business in Pennsylvania and Ohio. Since 1953 he has been deputy head of the United States department, which includes the public utilities, petroleum and aviation divisions as well as relationships with out-of-town banks and corporations.

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Herbert L. Golden, in charge of the Amusement Industries Group at **Bankers Trust Company, New York,** has been named Vice-President it was announced on Dec. 20, by S. Sloan Colt, Chairman of the Board.

Mr. Golden, who began his career with the bank in 1952, was formerly motion picture editor of "Variety," with which he was associated for 14 years. He was elected an Assistant Vice-President in 1954 and has been a leading figure in handling financial motion picture and television deals since joining the company.

* * *

Eight women have been appointed officers of **Chemical Corn Exchange Bank, New York,** according to announcement on Dec. 21, by Harold H. Helm, Chairman. Having had wide experience in both operations and customers relations at various branch offices, all of the women are named Assistant Managers. They are: Anna Medora Davis, Marion M. Puvogel, Dorothy E. Finigan, Margaret F. McGrath, Lillian M. Nitzsche, Hazel I. Ruschelau, Dorothy M. Noble and Mary H. Henderson.

* * *

Arthur S. Kleeman, President of **Colonial Trust Company, New York City,** announced that the bank's directors voted to add $100,000 to surplus, by a transfer of that amount from the institution's undivided profits.

* * *

Frederick W. Jackson, has been named a Vice-President of **The Dime Savings Bank of Brooklyn, N. Y.,** it was announced by George C. Johnson, President of the 97-year-old institution.

For the past seven years, Mr. Jackson has served as Assistant Vice-President in charge of new construction loans and builder operations and that will continue to be his primary assignment in his new officer rank.

Mr. Jackson joined the staff of "The Dime" as an inspector in its mortgage department on Sept. 23, 1929.

After serving in various capacities in the mortgage department of the bank for 16 years, Mr. Jackson attained officer rank in December, 1945, when he was named assistant mortgage officer. Four years later, he was appointed an Assistant Vice-President.

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At special meetings to be held some time in February, the stockholders of the **Bank of Malverne, Malverne, N. Y.** and the **Meadow Brook National Bank of West Hempstead, N. Y.** will be asked to vote on a proposed merger of the Malverne institution into the Meadow Brook organization, it was announced on Dec. 21.

The announcement was made jointly by Emil R. Heger, President of The Bank of Malverne and Augustus B. Weller, President of Meadow Brook. In a further statement Mr. Weller added that "the application for this merger was originally filed prior to the moratorium on bank mergers in Nassau County and has been under consideration for more than a year."

If approved, the Malverne institution will add $10,000,000 in assets bringing Meadow Brook's total resources to approximately $300,000,000. Meadow Brook's total number of offices will then be 27.

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Mr. Harold J. Marshall, President of **National Bank of Westchester, White Plains, N. Y.** has announced the elections of Mr. Richard C. Ives, Mortgage Originator to Assistant Vice-President, Mr. Kenneth E. Sullivan, Advertising Manager to Assistant Cashier in charge of Advertising and Public Relations, and Mr. Edward H. Townsend, Methods Supervisor to Assistant Cashier. The elections took place at the monthly meeting of the bank's Board of Directors on Dec. 13.

Mr. Ives, a resident of North Tarrytown, New York, has been with the Mortgage Originating Department since joining National Bank of Westchester in February of 1955. He had been with the **Albany Savings Bank** for 25 years.

Mr. Sullivan, a native of New Rochelle, has been with the Bank since 1952. He has been associated with the Public Relations Department since 1955 as Director of Advertising. Mr. Townsend, also of New Rochelle, started his banking career with the former **Chase National Bank of New York.** He last week celebrated 25 years with National Bank of Westchester, having become associated with the **New Rochelle Trust Company** in 1931, now a part of National Bank of Westchester.

He was named Methods Supervisor of the Bank in September of this year.

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Ellenville National Bank, Ellenville, New York, was granted a charter by the Comptroller of the Currency on Dec. 20, 1956, and on that day became a member of the Federal Reserve System. This new bank opened for business on Dec. 21, 1956, with capital of $400,000 and surplus of $300,000.

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H. Frederick Hagemann, Jr., President of the **Rockland-Atlas National Bank of Boston, Mass.,** announced on Dec. 18, the following promotions:

Cushman S. Gray, in charge of the Machine Accounting Department, to Assistant Cashier.

Arvid Wilcin, Manager of the Accounting Department, to Assistant Cashier.

Bradford C. Jernegan, Assistant Branch Manager, to Assistant Cashier.

Frank C. Dodge, Manager of the Auditing Department, to Assistant Auditor.

* * *

President, Edward L. Clifford announced that Mr. Herbert L. Morris has been elected Treasurer of the **Worcester County Trust Company, Worcester, Mass.** He succeeds to the title which has been held temporarily by Mr. Clifford since January, 1956.

Mr. Morris began as an assistant bookkeeper in 1915 at the **Hudson County National Bank in Jersey City, N. J.** and has held official positions in several banks including those of executive Vice-President and director of the **West Hudson National Bank, Harrison, N. J.** and President and Chairman of the board of the **Valley Stream National Bank and Trust Company of Valley Stream, N. Y.**

In 1948 he started his own organization, the H. L. Morris Company, specializing in bank audits, examinations and surveys.

Mr. Morris will assume his duties with the Worcester County Trust Company about Feb. 1.

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The First National Bank of Jersey City, N. J., announced on Dec. 20, that in addition to the usual cash Christmas gift disbursed to all members of its staff, 111 men and women who had completed five years or more service with the bank have been presented with one share of its capital stock. Among the employee-shareholders were 37 members of the staff who became eligible for the stock gift this year.

This is the largest group to qualify in any of the three years in which the stock award was made, the bank said. To date some 301 shares have been distributed to five-year employees of First National Bank of Jersey City.

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Two new officers were elected and an increase in surplus of the bank to $2,000,000 was authorized on Dec. 19 by the board of directors of **The Ohio Citizens Trust Company** at **Toledo, Ohio** at their regular monthly meeting, according to Willard I. Webb, Jr., President.

Herbert O. Lilje, manager of the corporate trust division, and Alfred G. Wiegand, manager of trust operations, were elected assistant secretaries of the bank.

The increase in surplus to $2,000,000, Mr. Webb said, was brought about through a transfer of $250,000 from undivided profits and results in boosting capital-surplus to $3,500,000.

Mr. Lilje has been with Ohio Citizens since 1932. Prior to that time, he was with the **Commercial Savings Bank and Trust Company** and the **Walbridge State Bank.**

Mr. Weigand joined Ohio Citizens in 1938. He had had wide and varied experience in accounting methods while serving with **The Guardian Trust Company, Cleveland.**

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Maurice J. Freeman, member of the law firm of Lowenhaupt, Mattingly, Chasnoff, Freeman and Holland, has been elected a director of **Baden Bank, St. Louis, Mo.,** it has been announced by James A. Reid, President.

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The board of directors of **Baden Bank, St. Louis, Mo.** have passed a resolution recommending to stockholders that the Bank's capital be increased from $700,000 to $800,000 and surplus from $300,000 to $400,000, making the bank's capital and surplus $1,200,000. The stockholders will vote on the recommendation at a special stockholder's meeting Feb. 26. James A. Reid, President, stated that the board of directors recommend the increase in capital and surplus because of the bank's continuing growth.

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James M. Kemper, Board Chairman of the **Commerce Trust Company, St. Louis, Mo.,** announced the election of two new Directors. They are Edward T. McNally, President and Treasurer of the McNally Pittsburg Manufacturing Corporation, Pittsburg, Kan.; and Robert A. Long Ellis, Vice-President and Director of International Paper Company.

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President S. Clark Beise on Dec. 18 opened the **Bank of America's San Francisco, Calif.** 600th branch in the state.

Named the Bayshore-19th branch, it stands on land that was undeveloped shoreline seven years ago in southeast San Mateo on the San Francisco Peninsula.

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The Canadian Bank of Commerce, Toronto, Canada announces that William M. Currie has been appointed Regional Superintendent of the Bank's Central West Region with headquarters in Winnipeg. Mr. Currie previously was Chief Inspector of the Bank. He has held positions at branches in Alberta, has served the Bank in the British West Indies and London, England, and successfully in senior capacities at the Bank's Head Office, Toronto.

* * *

Mr. N. W. Chisholm who has been General Manager of the **National Bank of India Limited, London, England** since April 1, 1953 has announced his intention to retire on 31st instant after nearly 50 years' service with the Bank and Mr. William Kerr, Deputy General Manager, has been appointed to succeed him. Mr. Chisholm retains his seat on the Board of Directors.

Mr. G. T. Gillespie has been appointed Deputy General Manager.

Mr. H. D. Cayley has been appointed Assistant General Manager and Mr. R. C. Hunter and Mr. K. Crawfurd have been appointed Managers.

With First California

(Special to THE FINANCIAL CHRONICLE)

CHICO, Calif. — Kenneth H. Eckel is now with First California Company, 221 West Second Street. He was previously with Neal Kellogg.

Joins Kidder, Peabody

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Thomas L. Corn is now with Kidder, Peabody & Co., Russ Building. He was formerly with Mutual Fund Associates, Inc.

Continued from page 5

What Electronics Means to You

strated its "picture-phone," whereby you will some day be able not only to talk to but actually see the person you are calling. Regardless of the vision of possible embarrassment which this development raises, no one can deny that it represents a tremendous advance in the field of communications — and electronics is its key.

Looking ahead, we can say confidently that the footsteps of the future in the electronically-controlled home are just outside your door. Only recently, RCA announced an all-electronic, noiseless refrigerator having no moving parts, and the development of all-electronic air conditioning for the home. In addition, there is the "radarange" developed by Raytheon and being used today on a limited scale in kitchen ranges being produced by a few forward-looking manufacturers. This cooks by microwaves and is able to turn out a complete dinner in a matter of minutes, compared with hours as with your present cooking facilities. It is an amazing characteristic of cooking with such equipment that while it cooks thoroughly and to the taste, heat is not dissipated outside the food itself.

Electroluminescence, which I have mentioned before, will supply the lighting of your future home, and bring controlled illumination to your rooms at the flick of a switch or the turn of a knob. In fact, it is expected that all the facilities of your house—from attic to basement—will be electronically controlled, probably from a central panel within easy reach of the housewife. As one engineer has been quoted as saying: the only problem remaining in the design and operation of a robot home is whether to label the master control "his" or "hers." Everything else is a matter of known fact and scientific practicability.

Stepping out of the home for a short distance, we have visible evidence of a coming revolution in shopping for the housewife living in this home of the future. Already experiments have shown that the pushbutton supermarket is a practicality. The housewife will be able to shop in ease and comfort and with little effort. Having made her pushbutton selections, the groceries, meats and vegetables she has ordered will reach her at the paying desk in a matter of minutes, all packaged and ready to be placed in her car. This is fantasy? Not quite—such a picture of the supermarket of the future has already been seriously drawn by at least one large grocery chain, the IGA stores, and others in this field are reportedly quite interested.

Computer Is Most Important

Let's leave the home and go to the office. Here we will find perhaps the most important electronic device of all — the computer. If steel forms the backbone of industry — in fact, our economic system—then electronics is its nervous system and the brain of this highly sensitive system is the electronic computer. Basically, the computer is designed to do anything that man's mental processes can accomplish, only do it more accurately and faster. Fundamentally, the functions of the computer comprise computation, tabulation and interpretation of scientific, engineering and general office data.

However, the applications of the electronic computer extend in all directions, far beyond the office door. They have an increasingly important role in industry, commerce, banking and merchandising. In their most spectacular role, they are the "master robots" of the completely automatic factory. Their task, in this respect, is to correlate and integrate the various electronic assembly lines. For example, though on a perhaps smaller scale than the completely automated factory, one such robot now turns a blueprint into a completely finished product, an intricate mechanism which is the heart of a jet plane engine's fuel-control system.

Computers have written music, played checkers and picked baseball winners. The U. S. Signal Corps recently unveiled an electronic "brain," an IBM 705, which does days of paper work in minutes. It is designed to provide high-speed control of global logistical operations and save days and weeks of paper work. A "classroom communicator" is being used at Penn State University, which enables a student to reply to questions simply by pressing one of several keys enclosed in a box by his side. The class percentage of correct responses and individual scores are computed by the machine. At Massachusetts Institute of Technology, the department of modern languages is investigating the possible use of computers to translate languages. And an electronic brain has authored a book—a 42,000-word dictionary of potentially useful chemical names for Charles Pfizer & Co., chemical manufacturers.

Among other machines useful in the office we find the same pattern of expanding utility through electronics. Underwood Corporation recently showed off a device called the Elecom File Processor, which reduces the contents of 1,600 file cabinet drawers to less than three cubic feet of space. Social Security records are to be processed electronically and electronic tabulating machines are to be used to compute insurance premiums at the Veterans Administration. The U. S. Weather Bureau is using computers to digest temperature, pressure and wind data and the Post Office Department uses electronics for sorting letters and other mail by destinations and feeding them automatically into cancelling machines.

It's a short step from the office to the factory where closed-circuit television and other phases of industrial electronics are rapidly pushing many segments of industry toward completely automatic operation, or what we have come to call automation. Closed-circuit devices are being used to watch dangerous processes, to peer into combustion chambers and furnaces and otherwise to monitor factory operations not possible in any other way. Closed-circuit television cameras and other electronic devices are also being used to safeguard plant property.

Electronic controls maintain and operate production lines in a great variety of industrial operations. For example, at Esso Standard Oil Company's Bayway (New Jersey) refinery a high-speed electronic control system has been developed by Minneapolis-Honeywell to automatically control quality in the production of a commercial solvent and keep a continuous record of operations there. At the Heltzel Steel Form and Iron Company plant in Warren, Ohio, an electronically-controlled batching machine automatically selects and weighs precise amounts of any number of bulk materials. Using standard punch cards, the machine's electronic equipment scans the card, operates the gates and valves of storage bins, and simultaneously checks the weights of materials as they come from the bins. Elsewhere, at General Motors, closed-circuit television is being used to observe suspension of test cards during actual operation. A camera is attached to the underside of the front or rear bumper of the car and is focused on the parts which engineers wish to study. An observer in the rear seat watches on a 14-inch monitor. The picture he sees can also be microwaved to the laboratory where engineers can view what goes on underneath the car under different road conditions.

These are random samples of the progress of electronics in industry. They can be multiplied a hundred fold as one surveys the entire industrial complex and they fully suggest eventual automation of most of our factory and plant operations. Even in its initial stages, which I seriously feel is all you can say about automation right now, the applications of electronics result in greater speed and efficiency of operation. Eventually, automation will not only create more jobs, more products at lower cost, but also will raise labor standards and provide more leisure time for the workers.

Many Uses of Television

In other areas, some overlapping on those already mentioned, we have seen important advances resulting from the application of electronics. Today, there are some 26 educational television stations reaching an estimated audience of 43 million people, or more than the regularly enrolled school population of the United States. More than 100 closed-circuit television installations are now in use in classrooms throughout the country and the number is expected to increase each year. Through this medium, the best teachers and instructors are able to serve the educational needs of a greater and greater number of students without imposing any additional burden on existing educational facilities. At the same time, the electronic medium permits a fuller use of the teachers' capabilities than today is otherwise possible with crowded classrooms and, in many places, inadequate teaching facilites.

In medicine, the electronic microscope, improved x-ray devices and other electronic diagnostic equipment have made possible new techniques in the treatment of diseases and have broadened the knowledge of human ills and their therapy. Only recently, the Michigan Hospital Service ordered a new electronic brain, the Datamatic 1,000, which will keep track of the hospital and medical records of more than three and a half-million Michigan residents. This brain can read and write at the rate of 60,000 digits per second, simultaneously handling 1,000 multiplications, or 4,000 additions, or 5,000 comparisons.

Closed-circuit television systems for hospital and laboratory use, made by the Dage Television Division of Thompson Products, are in use, for example, at Loyola University's School of Dentistry where an entire class of 100 students can watch a demonstration at the same time. At the Cleveland Clinic, a television camera mounted on a fluoroscopic image amplifier has cut by 20 to 30% the time needed to perform certain heart operations. The TV camera transmits the heart image to a large television screen where it may be easily studied by all doctors and nurses of the team performing the operation. By means of additional television monitors connected to the camera in a colsed-circuit, the televised picture of the heart may be viewed in another room prepared to permit observation by consulting physicians and instruction of students.

Aids Government and Military

The purely mechanical operations of your government are gradually being improved as a result of the introduction of computers and other electronic office machines for record-keeping and other governmental paper work processes. While it has moved slowly into the use of electronics for its own office operations, it has not been laggard in its applications of electronics to the defense of our country. Here lies probably the largest single segment of advanced electronics application.

Approximately $1 billion a year has been earmarked for electronic devices in the defense budget. This covers a variety of highly technical equipment for guided missiles, for military aircraft, for Navy vessels and military ground operations. Radars have been developed whose protection has been extended four-fold over the first sets used in World War II. These devices have also been made more selective and less subject to error in that they can detect only moving objects, eliminating structures and buildings which sometimes have interfered with proper analysis. Even beyond that is the development of infra-red detection devices, said to be far superior to existing radars. Don't ask me how they work. I frankly don't know, but I am sure that their usefulness is not denied by the electronic scientists who developed them. I'll take their word—as I have to on all technical aspects of electronics.

It is fully in the cards that the military aircraft of the future will be completely electronically controlled. The developments in this area will certainly be eventually extended into commercial aircraft where speeds and operations will be possible to a degree beyond present practicality. All of the large cities of the world will be virtually within commuting distance of each other in our lifetime.

Elecronic devices have been developed which will insure the maximum of safety in airport traffic control and it is more than a dream that within the next 10 years every U. S. Naval vessel will be atomic powered. Further, we can expect that the full application of atomic energy to peaceful pursuits — possible only through the controlling factor of electronics—will extend well beyond its primary use and into the eventual production of goods and services on a scale which today would be termed no less than fantastic.

The atomic-powered submarine is here—in the Nautilus and the Sea Wolf now being constructed. The production of energy for home and factory is just around the corner with nuclear-fueled power plants already built and in the process of construction. The atom-driven merchantman of the future, the atomic-powered airplane and, even farther ahead, the atomic-engined automobile are off the ground of conjecture and rest now at the practical research level.

A French philosopher once said (and I quote): "Only the past is settled." It is a curious, though understandable, fact that when I talk about electronics, I invariably hesitate to put a period to its accomplishments. Regardless of the tremendous advances in this science, particularly in the past decade, and the manifold applications which have developed, I find myself unable to complete the sentence, so to speak. So much more than can be added in the future to every present statement of accomplished fact that it would appear the subject is one of endless composition. We can dot the "eyes" and cross the "tees" of electronics, but for the life of me, as the vista of electronics unfolds, I cannot put a "period" to its apparently limitless end.

In this, I feel, there is significant meaning in terms of increased opportunity, improved health, wealth and the pursuit of happiness. It makes no difference where you sit — as an onlooker or a participant — whether you are a cynic or a deep-dyed optimist as I am—electronics, I am sure, will change everyone's life. Electronics, in the final analysis, is more than a science or an industry; it is a way of life—your life today and in the future.

William H. Doheny Joins E. F. Hutton & Co.

William H. Doheny, Jr., will join the securities brokerage firm of E. F. Hutton & Company, 61 Broadway, New York City, as a limited partner effective Jan. 1. He is the first member of a prominent family of California oil pioneers to enter the stock brokerage field.

Mr. Doheny has been an independent oil operator since 1946. He is a member of the board of Union Oil Company of California and the Brea Chemical Company. His grandfather, Edward L. Doheny, made some of California's most important oil discoveries at Kettleman Hills, and later sold his holdings to a firm now known as Getty Oil.

The appointment of Mr. Doheny to E. F. Hutton & Co. signifies its continued expansion and interest in the western states. In addition to principal western offices in Los Angeles and San Francisco, the firm operates 14 branches in California cities, six in Texas, and two each in Arizona and New Mexico. This group represents two-thirds of E. F. Hutton's national network of 33 offices.

Los Angeles Bond Club Elects New Officers

LOS ANGELES, Calif. — William D. Witherspoon, of Witherspoon & Company, Inc., has been elected President of The Bond Club of Los Angeles. A. Norman Bennett, of Stern, Frank, Meyer & Fox, was elected Director and Secretary; Robert L. Lindstrom, of American Funds Distributors, Inc., Director and Treasurer; Gordon B. Crary, Jr., of E. F. Hutton & Co., Director; and George M. Forrest, of Paine, Webber, Jackson & Curtis, Director.

At the business meeting, outgoing Club President Lewis J. Whitney, Jr., of Dempsey-Tegeler & Co., reviewed the Bond Club's events in the current year, and then formally turned his office over to President-elect Witherspoon. In an address to members, President Witherspoon said that committee appointments and plans for 1957 are being prepared, with an expectation of a continued high level of activities for the Bond Club in the coming year.

Francis du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — James A. Keating has become connected with Francis I. du Pont & Co., 677 South Figueroa Street.

With Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Jess W. Braucht is now connected with Sutro & Co., 460 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

With Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif. — George N. Pardue is now affiliated with Sutro & Co., 55 North First Street.

Shaw Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN MARINO, Calif. — S. Wayne Lynch is now connected with Shaw & Co., 2394 Huntington Drive.

Public Utility Securities

By OWEN ELY

Indianapolis Power & Light Company

Electric service in Indianapolis dates back to 1881 — only two years after Thomas Edison invented the incandescent lamp. Indianapolis Power & Light was formed by a merger of two competing companies in 1926, but it belonged to a holding company system until 1940, when the stock was sold to the public and the company became independent.

The company serves the Indianapolis metropolitan area of about 528 square miles, in Marion County and parts of adjacent counties. The present estimated population is about 620,000. The increase in population in the 1940-50 decade was 20% and an equally good rate of growth has continued since that time.

Indianapolis is the capital of Indiana and has been called the "Crossroads of America." It is served by six railroads, five airlines and 130 highway carriers, and hence is easily accessible for shippers of basic and finished products to all the principal markets for manufactured goods in the United States. It is also a focal point in the new Federal highway development program—there will be more "freeways" converging on it than on any other city.

Over 1,100 industries, large and small, are represented in Indianapolis, and its factory operations cover such a wide variety of products that it is recognized as one of the most diversified manufacturing cities in the country. The list of manufactured products, too large to itemize fully, includes pharmaceuticals, paper products, food and kindred products, ordnance, textiles, refined petroleum, rubber products, road machinery, jet engines, automobile parts — including truck engines and transmissions — and telephone equipment. All of these industries purchase their power requirements from Indianapolis Power & Light Company.

General Motors' Allison Division is the company's largest industrial customer, and GM contributes annual revenues of over $2 million. Eli Lilly, Western Electric and Chrysler rank next, with other industries and Federal defense activities following. Ford is building a large plant and General Motors is spending $75 million to increase its Allison Division.

Indianapolis is also an important wholesale and retail center as well as the trading center for a large farm area, providing a market for a territory extending 75 miles in every direction. The City ranks seventh in the U. S. in per capita income (among cities in its population class and above) and 70% of all families own their own homes.

The company has shown good growth, and current revenues are about $43 million compared with $18 million in 1945. During the postwar decade the number of customers increased 39% and average residential kwh use 134%. While the balance for common stock has increased about 364%, the gain in share earnings has been less impressive because of an increase in the number of common shares from 715,000 in 1945 to 3,355,000 in 1955. Profits per share jumped from 97c in 1945 to $1.66 in the following year, when excess profits taxes were lifted, but remained irregular thereafter, with $1.62 reported in 1954; in the following year earnings improved to $1.88 and for the current year are estimated at $2.09. President Pritchard, in a recent address before the New York Society of Security Analysts, forecast earnings in 1957 at $2.07 and for 1958 at $2.20. The anticipated leveling off in 1957 will be due partly to the effects of 1957 financing and partly to an expected reduction of "interest during construction" in 1957.

One reason for the issuance of so much common stock in the postwar decade, with its diluting effects on share earnings, was the necessity of raising the common stock equity from below-normal levels after the company emerged from a holding company system. The equity ratio in 1945 was less than 16% but in two years was raised to 28%. It stayed around that level for several years, but by 1953 was 35% and currently is 38%. The latter ratio is slightly above the U. S. average for electric utilities so that the company's objective has perhaps been accomplished. Some reduction in the debt ratio (now 50%) may be effected next year when the company plans to issue $6 million preferred stock. In 1958, $8 million in bonds is projected with some temporary bank loans. Construction expenditures in 1956-57 will average about $17 million per annum and in the three years following about $15-$16 million.

In 1955 the company obtained tax savings of about 26c a share from five-year amortization of emergency facilities and 5c a share from accelerated depreciation, both items being "normalized." The interest on construction credit approximated 9c and there was a charge for amortization of account of 100.5 equal to 6c a share.

The company operates five steam generating plants with capability of 627,000 kw and in 1958 expects to add a 105,000 kw unit. Another unit of the same size is planned for operation early in 1961. Over one-quarter of present coal consumption is obtained from the Tecumseh Mine, a strip operation in which the company has a 50% stock interest.

Last year the company earned about 7.2% on an "averaged" estimated original cost rate base, and the return on year-end invested capital was 6.5%. Since Indiana is traditionally a "fair value" state, and residential electric rates average only about 2.42c, the company's regulatory position appears satisfactory — although its neighbor, Public Service of Indiana, has had some difficulties with the State Commission.

At the recent price around 28½ and paying $1.50, the stock yields 5.3%. The price-earnings ratio, based on the estimated earnings of $2.09, is about 13.6. Both figures compare favorably with the industry averages.

HAPPY NEW YEAR!

Erie Natural Gas Co. Offering Completed

McDonald, Holman & Co., Inc., New York City, on Dec. 19 publicly offered 150,000 shares of common stock (par 50 cents) of Erie Natural Gas Co., Inc., in units each consisting of one share plus a warrant for one share at $2 per unit. The offering has been completed.

To each certificate of stock there will be attached a warrant, which is non-detachable, entitling the purchaser to purchase one share of stock for $2 per share for each share represented by the certificate, such warrant to be exercised only after Feb. 1, 1957, but before Nov. 30, 1957.

The company plans to use the net proceeds to pay for drilling of new wells and for working capital.

The Erie company was incorporated in Delaware, on Oct. 30, 1956. It has its principal office and place of business at 317 Baldwin Building, Erie, Pa., and is engaged in the business of prospecting for, drilling, producing, processing, dealing in, storing, and selling natural gas, oil, petroleum, and the by-products or derivatives thereof.

The company is the owner of a seven-eighths interest in 74 scattered leases covering approximately 6,621 acres in the Erie County (Pa.) Townships of Summit, Mill Creek, McKean, Fairview, North East, Franklin, and Washington.

It also owns a seven-eighths interest in 28 scattered leases covering 2,925 acres in Crawford County (Pa.) Townships of Spring and Cussewago. The company is in the process of acquiring leases on additional property in the Erie County (Pa.) Townships of Springfield, Girard, and Fairview.

In addition, the company owns interests in five producing gas wells in the Summit Township gas field.

Giving effect to the new financing, there will be outstanding 225,000 shares.

Paine, Webber, Opens New Investment Office

GARDEN CITY, N. Y. — Investors in suburban Long Island got their first look at the only electric stock quotation board in the area.

Located in Paine, Webber, Jackson & Curtis' new investment office at Roosevelt Field Shopping Center, Garden City, the new board will provide up-to-the-minute quotations of transactions as they take place on the New York Stock Exchange.

The new ultra-modern office—the 43rd in the Paine, Webber coast-to-coast chain — will also provide investors other services such as a complete statistical library, a Stock Exchange ticker and a Dow, Jones news wire.

Charles O. Ames of Cold Spring Harbor is manager of the office.

R. L. Feigen Opens

Richard L. Feigen, recently elected to membership on the New York Stock Exchange, announces that he will make his offices at Wertheim & Co., 120 Broadway, New York City, and will conduct a general investment brokerage business.

Mr. Feigen was foremrly assistant treasurer and manger of the investment department of Beneficial Standard Life Insurance Company and Beneficial Fire & Casualty Insurance Company of Los Angeles.

A. James Eckert

A. James Eckert, president of Mohawk Valley Investing Company, Inc, of Utica, passed away December 18th.

Securities Salesman's Corner

By JOHN DUTTON

Special Situations Can Be Used to Enlarge Clientele

In nearly every community there are well established corporations that are owned by a small group of investors whose primary business interests are local in nature. Such situations can be the focal point in the development of a very substantial investment clientele because of the close relationship between the shareholders in these smaller corporations. Usually a few individuals hold control of the business and the other shareholders are people who are friendly to them. In most instances the several hundred other stockholders (outside of management) have invested because of their personal friendship and confidence in the directors and management.

Market Is Limited

Due to the local interest and small number of shareholders in such companies, it is natural that when a stockholder wishes to buy or sell the stock in a closely held corporation, other investors are located through this chain of friendship existing between management and its friends. When this happens it creates a certain amount of extra work and entails a degree of responsibility that in many instances is better delegated to a local investment firm than if these transactions were negotiated by an officer of the corporation.

Even though the actual trading in the stock of certain of these closely held corporations is limited to a marked degree, when compared with the other situations in which a firm may be interested, the possibilities for "clientele building" are well worth the effort involved, and other favorable developments which may also evolve.

The Possibilities In A Sound Connection With A Small Corporation

Transactions in Company Stock: Trading in the stock of a local company can often show a substantial profit over a period of years. There is prestige value in such a connection. When local investors become acquainted with an investment firm through the recommendation of the officers or directors of a company in which they have had confidence over a long period of time, other business follows. Most of the larger stockholders in closely held, smaller, local companies are also substantial investors in other securities. Friendship which is established through transactions in the stock of a local company can also lead to recommendations to friends of officers and directors, as well as established company stockholders.

Future Financing: When confidence has been established with management through the demonstration of cooperative assistance in making and maintaining a market in the securities of a smaller corporation, it is inevitable that when expansion takes place that the financing is arranged through the investment firm that has established its position. The same situation presents itself when and if any of the larger shareholders desire to sell some of their holdings for estate purposes. The possibilities in both situations are very rewarding. Should a merger or sale of the corporation develop, this also is usually negotiated by the investment firm that was closest to ownership and management.

The Smaller Firm Has the Time And Personal Interest to Offer

None of the foregoing is new or in the least bit original to those who are conducting a localized investment business. But there is a very good reason from the psychological standpoint as to why a smaller investment banking firm, with local interests and connections, can usually do a better job of interesting the management of a small corporation in establishing a closer relationship than a larger firm can accomplish.

Home folks know each other. A large investment firm with a local branch has widespread interests, and any association with them in the minds of the directors and officers of a local company is not sufficiently personalized. On the other hand, when the president of a local company can pick up the telephone and talk to the head of his local investment banking firm about a situation, no matter how large or small it may be, there is a much closer relationship.

For the Executive Salesman

The investment salesman who is enlarging his clientele among important clients is certain to develop some contacts which eventually can lead to the establishment of working arrangements with the management of his local banks, other business organizations, and insurance companies, when he does so, he should be alert to the opportunity which this provides. Where there is a limited, local interest in the stock of any company, the possibilities for profitable clientele building through radiation and the development of a general securities business are excellent. Watch for and create these opportunities!

HAPPY NEW YEAR!

Adler, Coleman Partner

Adler, Coleman & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, will admit Thomas A. Coleman, Exchange member, to partnership on January 2nd.

Harry Breen will retire from the firm December 31st.

Auerbach, Pollak Partner

Auerbach, Pollak & Richardson, 30 Broad Street, New York City, members of the New York Stock Exchange, will admit Laurence S. Johnson to partnership January 3rd.

To Be D'Assern Partner

D'Assern & Co., 20 Pine Street, New York City, members of the New York Stock Exchange, will admit Christian Humann to partnership on January 15th. Mr. Humann has been with the firm for some time.

Eisele King Partner

John H. Libaire, member of the New York Stock Exchange, on January 2nd will become a partner in the Exchange member firm of Eisele & King, Libaire, Stout & Co., 50 Broadway, New York City.

J. H. Kaplan to Admit

On January 3rd Leonard O. Fischer will be admitted to partnership in John H. Kaplan & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange.

Continued from first page

How to End Coerciveness in A Democratic Government

its own which we humans cannot change.

But the operations of "natural law" include something else in addition to the functioning of *Physical nature.* Natural law extends also to the realm of *human action,* which includes at least three interlocking areas of unvarying principles. These are first, the Higher Law which applies to political structures; second, the moral law; and third, economic laws. These three come under the heading of "rules for living together in society." These things are intangible, and because we cannot see them, taste them or feel them we tend to pin a question mark on them. The tangible world is real, of that we are certain. But we are not so sure of the reality of things not seen. So we attempt to impose our own rules on the realm of human action by trying to repeal or annul natural law in this vital area.

The point I am trying to make about intangible reality and the two realms of natural law is so important, not only for the purposes of this speech, but also for our destiny as a free people, that I want to summon expert testimony. The eminent British philosopher, the late C. E. M. Joad, draws the distinction I have in mind with these words: "The natural order of things existing in time and space is not the only order; there is also an order of reality not subject to time and space from which the natural order derives and to which it is subject. The non-natural order contains values of which truth, goodness and beauty are the most eminent; it also contains God. . . . Man belongs for the most part to the natural order, although there is also comprised in his make-up an element, the soul or spirit, which is akin to, which perhaps belongs to the non-natural order. Man, therefore, in common with the rest of the natural order, is subject to the non-natural. . . .

"This attitude to the universe has been on the whole predominant in our civilization. First adopted by the Greeks, it was confirmed and elaborated by Christianity and forms part of the Christian tradition of Western Europe. Periods occur when it is largely forgotten or denied. With the result that the nature of the universe is misinterpreted and man's status in it misconceived." . . .

Needed — A Religious Rehabilitation

I am advancing the premise that this is an orderly universe of natural law in each one of its interrelated departments. No part of it is haphazard. As I have indicated, the concept of the orderliness and regularity of cause and effect relationships in the realm of nature covered by the physical sciences is accepted by most of us. But, over the years, we have developed a peculiar tolerance for error in the realm of moral, economic and political law. For example, it was only a few years ago that the citizens of a west coast state voted themselves $50 a month old age pensions, apparently without any thought of where the money would come from. Estimates of the cost of the pension scheme ran as high as treble the costs of all other state functions combined. Belief in political alchemy was so strong that no consideration was given to the rights of those citizens who would be called upon to pay the bill or to the immorality and political imbecility of the action.

Many of the current Federal Government's misnamed "welfare" programs derive from the same mental process, i.e., the superstition that government has, in some mysterious manner, achieved access to an inexhaustible store of wealth from which it can dispense largesse with a generous sweep of the sand and without depriving other citizens of their honestly acquired property by the very same magnanimous gesture! We can and do ignore the rules of the game in the moral, political and economic areas. But ignorance of the law is no excuse. We may ignore, but we cannot suspend. The natural law goes on operating in every area regardless of our ignorance or cupidity, and the penalty which always follows the violation of natural law is wreaked upon the violator, and usually upon the innocent as well.

Some do more than ingore natural laws in the realm of human action; they deny them. Many social theorists scoff at economic laws and others assert that there is no independent moral order. Here, for example, is a University of Chicago professor, Dr. Herman Finer, who a few years ago wrote a book called *Road to Reaction,* designed to refute Dr. Friedrich von Hayek's *Road to Serfdom.* Dr. Finer wrote, "In a democracy right is what the majority makes it to be." In other words, there is no *right;* there is only majority *might,* as determined by counting heads.

If we could gain the conviction that natural law is just as real in economic and moral matters as in physics and chemistry we would not attempt to write our own economic or moral laws and legislative tampering in this area would cease. In a broad sense, I am speaking here of a religious rehabilitation: the recovery of belief in the reality of a moral and spiritual realm which transcends the realm of nature. If we cannot bring that about, I do not see how we can stop the powerful drive to put our entire social and moral life under political domination.

Concepts of the Founding Fathers

It is important to remind ourselves frequently that the original political structure of the United States had this religious dimension built into it. So, before entering on a discussion of current politics, let us review certain concepts of the nature of man and his relationships to God and to his neighbors which were held by those who established this great Republic.

Our Founding Fathers rebelled against the established disorder of petty political tyranny. But the real American Revolution began long before our Declaration of Independence. It began as an idea. It was a *religious*—not a *political* idea. It manifested itself in the 18th Century as the political application of certain religious concepts which are inherent in the Judeo-Christian tradition.

The basic concept was that all *power* and all *authority* flow from God, the Ruler of the universe. Since all men are creatures of God, each one of us derives his dignity and freedom directly from God. Thus, each is sovereign in his relations with all other men. It follows that no man, and no group of men, can arrogate to themselves the power to trespass on the God-given rights of others without violating the moral law.

The political application of this religious concept of natural rights gave birth to the idea of limited government and its corollary, the inalienable right of every individual to control the fruits of his own labor, that is, his honestly acquired property. This "property right" is, in fact, a "human right." It stems from man's right to life, which carries with it the right to sustain that life on the fruits of his own labor. The right to life by itself has little meaning; to have its full significance, the right to life must be coupled to economic freedom. *It is not necessary to own a man in order to control him; man is controlled by those who control the fruits of his labor.*

The ideal of a sovereign people composed of sovereign individuals was derived from these concepts. Government, relegated to the status of a servant, was to be strictly limited in function to the protection and preservation of the sovereign rights of individuals. The powers of government, obtained by delegation from the citizens, were provisional. They were to be retained only as long as they were exercised within their proper limitations.

Having wrested their independence from England by a bloody war in which they risked all they had, the Founding Fathers established a political order which was to give effect to the principles they had enunciated in their Declaration of Independence. They formulated a Constitution designed to provide the safeguards which they thought were needed to prevent oppressive actions by government similar to those against which they had rebelled. And, not content with the many restrictive provisions of the Constitution itself, they insisted upon further safeguards in the first ten amendments, the Bill of Rights, which might better have been called a "Bill of Prohibitions," since it is filled with such restrictive phrases as "Congress shall make no law" —"The right of the people . . . shall not be violated"—"The right of the people . . . shall not be infringed,"—etc.

A society was established which was designed to permit the individual to develop his God-given talents by providing maximum personal freedom of choice with a collateral personal responsibility for the results of that choice, the risk of the penalty of the *wrong* choice being accepted as the price of freedom. Thus, the individual was to be free to direct his own creative energies without restrictive laws, rules and regulations imposed by political masters.

In such a climate one would expect the individual to achieve his greatest development in those positive factors which contribute to a good society—moral courage, integrity, understanding, reasonableness and individuality. These, in turn, would provide a firm base to act as a launching platform for the attainment of the higher ends of life—such as scholarship, art, music, charity and *worship.*

Such is the basis of the real American Revolution, whose essential purpose is to unfetter the creative energies of men — and whose spirit is still the best hope of all mankind.

The Graduated Income Tax—Marxian Iniquity

Where are we today? Have we departed from those basic concepts of the nature of man and his relationships to God and his fellowmen? Do we still look upon government as servant of the people, whose function is to protect the God-given rights of individuals, *all* individuals, from infringement by others, *all others?* Or have we come to look upon our own creature, government, as the all-knowing, all powerful deity at whose altar we must worship if we are to be fed, clothed and housed—all at the expense of each other?

A fairly accurate answer to those questions can be gained by assessing the political campaign to which we have recently been subjected. Perhaps the most blatent of the claims of those seeking our votes was that, under their guidance, government would provide us with economic security, i.e., at least a minimum of economic goods—houses, food, clothing, and so on. But they failed to explain that government cannot give away what it does not possess. Government does not produce the economic goods it promises to dispense—people produce them. The three factors in production are land, labor and capital; and government is not one of these. Therefore, before government can give you anything it must first take it away from someone else; and conversely, before it can give somebody else anything, it must first take it away from you.

That is not the road to prosperity or to justice. In current *theory,* government promises to play Robin Hood, robbing the rich to pay the poor. The *theory* is immoral—but the *practice* is even worse. The promise is soon forgotten and Robin Hood robs rich and poor alike — to pay Robin Hood!

History is replete with proofs of this statement. I will give but one example—the Federal income tax. That Marxian iniquity was imposed on Americans in 1913, with the ratification of the 16th Amendment to the Constitution. The tax was described by its proponents as a modest levy, with a normal rate of 1% on personal income up to $20,000, a surtax up to a maximum of 6% at $500,000, and a flat corporate tax rate of 1%. The sole purpose, they said, was to produce revenue. Personal exemptions were designed to relieve all but the well-to-do from this burden. When a Senator protested that the rate on personal incomes might some day rise to the confiscatory level of 10%, he was shouted down in derision! But now the personal tax has risen to 87% in the highest brackets, the *minimum* rate is 20%, and personal exemptions have been drastically reduced, so that the preponderant burden of the tax is borne by the lower income groups. It is quite evident that the alleged original purpose, to produce revenue, has been subordinated to its use as an instrument to level society. This was the avowed design of Marx, who also intended that this unlimited power of confiscation would be used as a means of abolishing *all* private property by transferring its control to the bureaucracy! That is not socialism? It is not generally recognized that we have already, under today's tax schedules, traveled one-third the way toward that goal! May I again remind you: *It is not necessary to own a man in order to control him; man is controlled by those who control the fruits of his labor.*

I am aware that there are those who insist that unless government supports its citizens, many will be ill-clothed, ill-housed and ill-fed. This belief is often expressed by the question, "Would you let them starve?"

It seems to me that those who pose that question show a deplorable lack of faith in their fellow citizens. In effect, they are saying that free Americans would permit their less fortunate neighbors to starve; that our doctors would not aid a sick person who has no money; that persons with freedom of choice will choose to let homeless people sleep in the streets; that a free people would reject their responsibilities to their fellow men; and that we have renounced Christ's commandments on love and charity.

I refuse to concede that we Americans have sunk so low. If we have, then liberty is dead, and we are taking part in its interment. And all the laws and governmental coercions which human ingenuity can devise will not suffice to correct such amoral blindness!

Actually, the record shows that our people have never failed to come to the aid of those in need, voluntarily and in very generous measure. I will not concede that free Americans must be bludgeoned into accepting and discharging their charitable duties.

Party Platforms

If you would like up-to-the-minute examples of the things I have been talking about, just examine the current platforms of both parties which served as the bases for much of the campaign oratory which, in turn, consisted largely of intemperate judgments, unfounded villification of opponents, attempted bribery of voters, pontifical prognostications on health and mortality, and a brief smattering of logical discussion of principles and policies.

The political aspirants vied strenuously with each other, not in efforts to explain to the voters their duties and responsibilities as citizens, but, rather, to prove that the voters need only elect them to be assured of the greatest personal favors from government.

To show that I am not alone in my concern over current trends, let me quote from two pre-election articles in the magazine "Newsweek" written by Henry Hazlitt, eminent political economist and well-known author of many books and articles in this field.

He wrote: "Is the Democratic platform really meant to be taken seriously? It is shrill, intemperate, long-winded, repetitious; a compound of abuse, half-truths, untruths, and glaring self-contradictions. It is a bid to buy the votes of every conceivable pressure group. It promises utter recklessness in spending the taxpayers' money. . . . The greatest danger of a Stevenson victory is not that he might repudiate his platform's pledges, but that he might try to keep them."

He then proceeds to document his charges, in some detail.

The following week, the same author had this to say of the Republican platform:

"By comparison, at least, the Republican platform has several merits. It is just as repetitious; it is also full of half-truths and misleading implications; but its tone is much more temperate, its program is less fantastic, and it pays at least lip service to the ideal of limited Federal intervention and limited governmental power. . . . But when the platform gets down to details, these words [i.e., the statements of devotion to the ideal of limited government] are as if they had never been written. The main record of the Eisenhower Administration, and even most of the present Republican boasts and promises, run directly counter to them. . . ."

Mr. Hazlitt goes on to indicate that this state of affairs "presents a grave dilemma to those voters who are convinced that the real future of America lies in the preservation of individual initiative, self-reliance, and freedom, and who watch with growing concern what Mr. Eisenhower himself has called 'the growth of a swollen, bureaucratic monster government in Washington'."

And here I believe it is pertinent to quote from the masterful address in which that greatest of living Americans, Herbert Hoover, sought vainly to point the way to greatness of spirit at the recent Republican National Convention held in this city. He said—

". . . May I suggest to you that instead of your traditional platform, you should make a resounding declaration of principles of American life. . . .

Those great documents of 180 years ago from our Founding

Fathers must still be the foundation of our American way of life. . .

"Cannot this Centennial Convention of the Republican Party, whose whole background has been the preservation of the freedom of men, make such a declaration?

"Your . . . task is to generate a spirit which will rekindle in every American not only a love for his country but a devotion to its true ideals. You are here to feed the reviving fires of spiritual fervor which once stirred Americans to live and die for human liberty—Americans who knew no private interest, no personal ambition, no popular acclaim, no advantage of pride or place which overshadows the burning love for the freedom of man. . . .

"I have faith that there are principles which neither communism, nor socialism, nor neutralism, nor other evil ideas, nor even the march of time can defeat. These truths came into the universe along with the shooting stars of which worlds are made. They are as inevitable as the existence of the Supreme Being, the forces of gravitation, and the ceaseless struggle of mankind to be free."

Thus Mr. Herbert Hoover! Would that a merciful God had given us wisdom to heed his admonitions!

The Federal Government—Voracious Monster

Over the period of the past 50 years we have witnessed the growth of a misplaced faith in the power of government to accomplish all sorts of social, economic and even moral purposes. Implementing this faith, people have thrust enormous powers upon government; or else tamely acquiesced while the powers and functions of government have been extended, accelerated and centralized. Now, in mid-twentieth century, the Federal Government makes its weight felt in almost every human relationship.

Let me quote from a statement by Rowland Hughes, until recently Director of the Federal Bureau of the Budget. He said:

"The Federal Government is, among other things, the largest electric power producer in the country, the largest insurer, the largest lender, and the largest borrower, the largest landlord and the largest tenant, the largest holder of grazing land and the largest holder of timberland, the largest owner of grain, the largest ship-owner and the largest truck fleet operator. For a nation which is the citadel and the world's principal exponent of private enterprise and individual initiative, this is an amazing list."

One might add that the Federal Government is by far the largest taxer and the largest spender. In fact, if we consider all levels of Government—Federal State and local—the total "tax take" approximates 30% of our total national income—a dangerously impressive figure for a country whose founders set up a government of narrowly restricted functions and authority, which was intended to be the servant of the people—not their master.

Now that we have created this voracious monster, many of us are uneasy about it. If the trend does not frighten us, then we get our ulcers from some of its by-products; corruption in high places, juvenile crime, the perpetual world crisis, the cruelly oppressive tax burden, and so on. Is there a way ahead which will take us out of this morass? Is there a way to recover the sanity and balance that once marked our life? I believe there is—and that it is also the *only* way out. But it is not by means of political remedies. It is through the religious rehabilitation I mentioned earlier.

Fundamental Principles of the American Revolution

In the "Virginia Bill of Rights," drafted by George Mason and adopted on June 12, 1776, there appears this statement in Article 15: "No free government or the blessings of liberty can be preserved to any people but by a firm adherence to justice, moderation, temperance, frugality and virtue, and *by frequent recurrence to fundamental principles*."

What were the fundamental principles referred to by Mason? I believe they were, broadly speaking, religious principles; not so much the doctrines and creeds which distinguish one sect or denomination from another, but rather the fundamental belief in God which they share. It was a basic American principle to maintain a strict separation between church and state, not because of any hostility to religion; quite the contrary. The state was to be secular in order that the society might be religious. The gifted French scholar DeTocqueville saw this clearly when he wrote in 1835, "Religion in America takes no direct part in the government of society but it must be regarded as the first of their political institutions." A free society is possible only if it is composed of religious individuals. These convictions are visible in both the Declaration of Independence and the Constitution. The framers of those documents believed that they were transcribing "the laws of Nature and of Nature's God." The supremacy of the Constitution was believed to stem from its correspondence to a law, superior to the will of human rulers. Dr. Edwin S. Corwin, noted scholar and teacher of political economy, writing of "The Higher Law Background of American Constitutional Law" describes this sanction as follows: "There are certain principles of right and justice which are entitled to prevail of their own intrinsic excellence, altogether regardless of the attitude of those who wield the physical resources of the community. Such principles were made by no human hands; indeed, if they did not antedate deity itself, they still so express its nature as to bind and control it. They are external to all Will as such and interpenetrate all Reason as such. They are eternal and immutable. In relation to such principles, human laws are, when entitled to obedience save as to matters indifferent, merely a record or transcript, and their enactment an act not of will or power but one of discovery and declaration."

In effect, the Founding Fathers were trying to set up a secular order based on their idea of the pattern laid down by God for man's conduct in society. This was in strict conformity with the basic truth that *every social order derives its sanctions from the prevailing conception of the cosmic order*. As evidence of faith in the sanction of "Divine Providence" for their actions, they pledged to each other "their lives, their fortunes and their sacred honor."

Eclipse of the Religious Dimension

But in the course of the past century and a half the basic premise of religion, the premise of a supernatural order fundamental to both the natural and the social order, gradually disappeared. For a long time after the disappearance of this belief, force of habit sustained the morality and conventions which had been inferred from this belief. For example, the concept that every man has inherent rights which antedate government and which governments are established to defend presupposes the belief that all men are creatures of God. Take away the belief in God, and replace it with the idea that there is nothing but nature, and in nature nothing but a struggle for existence in which only the fiercest and most cunning survive, and you do something to human relationships. You turn human affairs into an arena in which old virtues like honor and fair play are only a hindrance in the fight for domination and where political life is a "dog eat dog" contest for votes and taxes and power. These things follow logically and plausibly once we have accepted the notion that this universe rolls on indifferent to individual conscience and the moral values by which men have sought to live.

Given a situation such as this we cannot put much faith in any *political* remedy for the political insanities of 1956. These things are the end result of faulty education. The evils which have emerged onto the political and social scene in our time were once ideas; first tentatively broached, then hotly debated and finally gaining general acceptance at some time in the past. During the Hitler era the late Lord Keynes said: "Mad men in authority who hear voices in the air are distilling their frenzy from some academic scribbler of a few years back."

The picture I paint of the present situation may be black, but it is not hopeless. I have asserted that the religious dimension of life which was a prime factor in the political calculations of the Founding Fathers suffered an eclipse. I believe I could convince you, if I had the time and if it were necessary for this audience, that the mental climate of the 19th Century was not congenial to religious faith. Nineteenth Century science thought it had proved that matter alone was real, spirit a mere ephemeral vapor. Cosmic sanctions, which had hitherto lent their support to the concept of a free society now swung to the opposition. It was thought that science supported the thesis that man could be conditioned to conform solely by the application of forces of proper magnitude and direction, much as one shapes the landscape by means of bulldozers. Nineteenth Century materialism was the point of departure for Marxian socialism, but it was an unhealthy climate for the philosophy of individual sovereignty, limited government, and the free market economy. The climate was fatal in many countries, and unlimited despotism took over.

Changes in Scientific Concepts

But now that climate has radically changed, and the change has been brought about largely as a result of further investigations of matter by the scientists themselves. Two quotations will suffice to indicate the extent of the revolution in scientific thought.

Sir James Jeans, the distinguished British physicist, said in 1930, "Thirty years ago we thought or assumed, that we were heading toward an ultimate reality of a mechanical kind. It seemed to consist of a fortuitous jumble of atoms which was destined to perform meaningless dances for a time under the action of blind, purposeless forces and then fall back to form a dead world. Into this wholly mechanical world, through the play of the same blind forces, life had stumbled by accident.

"Today there is a wide measure of agreement which, on the physical side of science, approaches almost to unanimity, that the stream of knowledge is heading toward a non-mechanical reality. The universe begins to look more like a great thought than like a great machine."

And Robert A. Millikan, distinguished son of California and Nobel prize-winner in physics, stated at about the same time: "The idea that God . . . is not a being of caprice and whim, as had been the case in all the main body of thinking of the ancient world, but is instead a God who rules *through law* . . . that idea has made modern science and it is unquestionably the *foundation* of modern civilization."

The world picture of science is now on the side of freedom. The philosophy of the free society now has cosmic sanctions.

The Nature of Government

This does not mean, however, that we are out of the woods. There is, first, the time lag to cope with. Our morality—and this is especially true of public morality—is largely premised on the now discredited 19th Century non-religious outlook. The norms of our political life still continue to ignore the change which has occurred in our understanding of the universe. We put our counterfeit coins in the slot in *1856*, or thereabouts, and the machine delivers the poisoned candies of *1956*. So it is imperative that we go to work with *education* and *persuasion* in this area.

There is a second difficulty. It is popularly believed that we have tried liberty and found it wanting. The misplaced faith in government is largely based on the delusion that every evil suffered during the past century has been due to too little government and can be corrected by increasing the scope and functions of political action. Throughout history people have displayed a pathetic faith in government, misunderstanding its true nature. We have chosen to disregard the warning of George Washington, who said: "Government is not reason, it is not eloquence—it is force! Like fire, it is a dangerous servant and a fearful master!") In the final analysis government action is coercive, but in a democracy most people overlook this.

When the government was a monarchy or an oligarchy it was easy for the people to recognize its other-ness; they knew what they were carrying around on their backs. But in a democracy we feel that the government is *us*, and so we can excuse whatever government does by saying that "we are doing it to ourselves." Or, if we are more sophisticated, we say that the government is "ours." And again, whatever government does is excused, because, we ask, who has a right to tell us what to do with what is ours?

For these and other reasons, we succeed in concealing the coercive nature of all political action from even ourselves. Government in action always operates with undertones of violence, either overt or covert, and this makes it an inappropriate instrument to accomplish all the goals politicians promise and people demand.

A New Birth of Freedom

When we think about the causes of our deteriorating domestic and world situation, and even when we suggest remedies, there is a tendency four our attention to be fixed at the exciting level of political change and revolution. I believe that for any accurate diagnosis or lasting cure we must go much deeper than this. I have asserted that every social order derives its sanctions from the prevailing conception of the cosmic order, which means that people have a tendency to try to pattern their personal lives and their relationships with others to harmonize with the way they picture the universe. If this is so, then every fundamental change in this basic area will be reflected by repercussions on the political level. As I read the history of the past several centuries I can discover these distinct levels; the surface level with waves and choppy seas, and the deeper level where the great tides of life sweep back and forth. Or, one might use the analogy of an earthquake. The earthquake has a focus far below the surface of the earth but the tremors are felt on the surface around the epicenter. We cannot do much about the waves and tides, nor can we get at the focus of an earthquake, and these analogies break down at this point. But we can do something about our own situation, provided we strike into the problem at the right level.

It is possible for us to have a new birth of freedom. The major portion of that goal has already been accomplished for us in the revolutionary world view implicit in contemporary science. The 18th Century world view prepared the way for the Founding Fathers. The 19th Century world view of cosmic materialism started to liquidate the religious foundations of a free society. But we are living in the post-materialist era; which means that we are also living in the post-socialist era. The world view which appeared to sanction socialism has been superseded, with the result that socialism is almost nowhere defended as a coherent intellectual system. There are now cosmic sanctions for a society of individual sovereignty, limited government and the free market.

I do not mean to suggest that there are not problems peculiar to the economic and political levels, but I do mean to say that if men are not right at the deeper level—in their understanding of the nature of the universe—they can tinker with economic and political problems from now till doomsday and still come up with the wrong answers. It is a case of putting first things first, and the first thing, in my judgment, is a religious rehabilitation along the lines that I have been discussing. I believe that such effort on our part will call forth the supporting power of cosmic sanction, for God intended men to be free. "The God who gave us life," Jefferson observed, "gave us liberty at the same time." We will need conviction, courage, strength, understanding, humility, compassion and *faith* to set in motion what William James referred to as "those tiny, invisible, molecular moral forces which work from individual to individual, creeping in through the crannies of the world like so many soft rootlets, or like the capillary oozing of water, but which, if you give them time, will rend the hardest monuments of man's pride."

One last word — Freedom is never free. The fires of freedom are fed by the sacrifices of those who love it. Remember Hungary!

Merrill Lynch to Exhibit at Fair

Merrill Lynch, Pierce, Fenner and Beane will be one of the leading exhibitors at the Chicagoland Fair, gigantic business, industrial, and cultural exposition to be held at Navy Pier, Chicago, next June 28-July 14.

Announcement of the nationally-known brokerage firm's participation in the Chicagoland Fair was made on Wednesday, Dec. 19, by Richard Reynes, director of the Fair.

Sponsored by the Association of Commerce and Industry, the Chicagoland Fair will feature five miles of colorful exhibits and pageants extolling Chicago as a "land of opportunity" and saluting the city's progress.

Hundreds of companies are expected to display their products and services at the exposition.

An estimated 500,000 persons are expected to attend the 17-day Fair. They will view the many colorful exhibits, see a special pageant, and enjoy other entertainment features.

An open air restaurant, snack bars, soda fountains, and spacious lounge areas will be among the many comfortable facilities.

W. Stuart Bernard

W. Stuart Bernard, senior partner in Bernard, Winkler & Co., New York City, passed away December 19th at the age of 56.

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Aiding the American Investor With a Better Investment Climate

in good faith. Perhaps there is merit in the recent proposal that an international court of arbitration be established to enforce a Magna Carta for private property invested abroad.

The second impression today's traveler brings home is that many of Europe's economic problems bear a remarkable resemblance to our own. European businessmen are planning a great industrial expansion. They are short of growth capital. They face inflation and problems of tight money.

Out of these facts comes the third and strongest impression. It is that despite our progress we do not have all the answers. It was surprising to me that nations which do not pride themselves, as we do ,on the progress of their free enterprise economies, should embrace so many constructive policies that encourage the flow of venture money. It was surprising, also, to realize that in America, where we hold risk-taking to be the essence of enterprise, we are in many ways backwards when it comes to pumping venture money into our economic lifelines.

Perhaps the best illustration of this is to be found in free Germany—and it's a story that goes back not five weeks but two years. A German official, then visiting New York, told me of his plans to boost output. He aimed to accomplish this, he said, by slashing income taxes, by eliminating the capital gains tax and by substantially reducing the double tax on corporate dividends. In my wisdom I told him he was reaching for the moon. Very much to my astonishment, within six months this official had achieved everything he set out to do.

Well, West Germany's great industrial boom today is a matter of record. And it is more than a coincidence, I think, that the visitor to Germany now finds the maximum income tax is 55%, compared to a maximum surtax rate of 91% in America; the capital gains tax has been abolished for all practical purposes; and the double tax on dividends has been eased so that corporations are encouraged to pay out a greater share of their earnings.

Thus, in an economic area where we hold ourselves to be experts, there is much we can still learn from overseas—particularly when it comes to encouraging venture capital.

I know that the NAM is equally concerned with our investment climate. I know the NAM's tax program recognizes fully the need for stimulating a steady, long-term flow of capital through industry's arteries.

In the financial community, where we are anxious to encourage equity financing and broader shareownership, the tax problem has never seemed more pressing or more immediate. Moreover, we cannot afford a lag in meeting it, or in preparing for the future. Someone has got to worry about the investor—and right now. In his behalf, we must take a critical look at existing tax laws, study their effect on the investment climate and determine whether they encourage the flow of capital or dam it up.

Double Tax On Dividends, Capital Gains Tax Penalize Investors Whose Funds Are Required for New Corporate Growth

What burdens do investors bear? What restrictions confine them? Why, in other words, should we be worried about the investor?

Since stock is essentially a share in corporate earning power, there are only two ways it can return a profit: it pays dividends or its value in the market increases. In Americca today, we barricade both these avenues to risk-taking—by leveling a double tax on corporate dividends and by imposing a restrictive and inflexible tax on capital gains realized from the sale of stock.

Double taxation on dividends has a double-barreled effect. Apart from its inherent injustice, it places shareholders at a disadvantage compared to the owners of some 3.5 million unincorporated businesses who pay only a personal income tax. It places on corporations the burden of earning twice as much in order to put a dollar in a shareowner's pocket as would be required if debt financing such as bonds and loans were used.

But the real danger in double taxation lies ahead—in the prospect that investors may be discouraged away from stocks, and companies forced into financing their expansion by relying too heavily on bonds, or debt securities.

If this seems to broad a charge to level against the double tax on dividends, just look at the record. In mid-1954, a modest relief was granted. It provided an exemption for the first $50 in dividends and a 4% tax credit on remaining dividends. Since then we have witnessed a strong rise in equity financing and a marked increase in the family of American shareholders. Cash dividends also rose in 1955, **and it is important to realize that taxes paid on them offset any loss of revenue caused by changes in the law.** Moreover, for those still under the illusion that it was the wealthy who were most affected, note that the investors who gained most were those earning less than $5,000 a year. An estimated 300,000 of them were completely relieved of double taxation.

Don't these results make a strong case for going further in the same direction? The Stock Exchange feels they do. And we believe further relief from this dampening tax can be achieved effectively by increasing the dividend tax exclusion from $50 to $100, and by raising the dividend tax credit from 4% to 10%. Eventually, this credit should be raised to 20%, as it presently is in Canada.

The bite taken from dividends, however, is only half the problem. An even greater investment obstacle is the capital gains tax, one of the harshest penalties on success this country has ever devised. This tax imposes a levy of up to 25% on the gains realized from the sale of securities held over six months. The effect of the tax poses a very crucial question. It is whether the expansion goals we have set for ourselves can be met if we continue to choke the impulse to venture and to gain. The capital gains tax really does just this.

Because it is self-imposed, it can be avoided by taking no action. It therefore locks the present investor in, and reduces the pool of risk capital available for newer and more venturesome projects. It breeds inertia and inaction, instead of providing greater incentives and greater mobility.

As of this moment, American investors have over $200 billion of unrealized capital gains. This is potential growth money that is to a great extent locked-in. Investors are unwillingly substituting the calendar for good judgment and holding some stocks long after they really want to. They are inadvertently diminishing supplies of available stock, intensifying price movements, and being discouraged from switching into new ventures.

Tax Revision Needed to Spur Flow of Venture Funds; Suggest Capital Gains Tax be Deferred if Investors Reinvest Funds Within 30 Days

What, then, is the solution? The most obvious is the elimination of the capital gains tax. This is perhaps the most constructive and permanent step that could be taken to ease the plight of the locked-in investor and encourage a renewed flow of capital. And this solution is far less drastic than it may sound. Of 55 nations throughout the world that we have surveyed, 46 countries — including the financially sophisticated nations of Canada, Belgium, Switzerland, Great Britain and France — impose no capital gains penalties on the public's profits from securities transactions. Faced with money-raising problems similar to our own, they recognize its harsh and destructive nature.

It is one thing, of course, to propose a bold and sweeping program. It is another thing to bring it about. In the case of the capital gains tax, there are two things of which we are aware. The first is that tax legislation often becomes the center of a violent emotional storm that does not necessarily bear on the real issues. The second is that any changes that are forthcoming necessarily develop slowly.

In the face of these realities, and until elimination of the capital gains tax has been achieved, the New York Stock Exchange has proposed a reduction in the holding period from six months to three, and a reduction in the tax bite itself from a top of 25% to 12½%. The Exchange has urged these revisions as reasonable and practical — designed to break the deadlock between the crushing demand for new capital and the repressive taxes which limit it.

But today, we have reached another of those stages demanding new ideas and approaches. And one way of helping free locked-in capital might well be through a modest revision to the capital gains tax section of the Internal Revenue code. This revision would recognize a concept calling for the tax deferred treatment of capital gains that are fully reinvested. Such a concept would recognize that **the individual who sells one stock and fully reinvests the proceeds of that sale in another stock investment has not realized a real gain, even though under present laws it is taxable.**

As we see it, the Full Reinvestment of Capital Gains would permit the individual taxpayer, at his option, to sell a stock on which he has a long-term capital gain without incurring an immediate tax — **providing he fully reinvests the proceeds of the sale in** another single stock investment **within 30 days.** Instead of paying a tax, the investor would carry forward the tax basis of his old stock holding to his new purchase. If the original capital plus the gains on his equity securities were not fully reinvested in compliance with these conditions, the unreinvested gain would be taxable under existing capital gains tax provisions. There is ample precedent for this proposal. The concept has existed in the tax law since 1921 and has been broadened over the years. Since 1921 it has been possible to exchange like property such as commercial buildings, farms and other real estate, without incurring a capital gains tax on the transaction. In 1951 this concept was expanded to include the sale of personal residences. In 1954 certain exchanges of insurance policies were given tax-free treatment. In addition, the tax-free exchange of stocks in various intra-corporate transactions and in certain corporation reorganizations has been allowed for many years. Thus, what I have outlined for equity securities, is simply another application of a procedure which has a basis in law. But it is one that can help meet the immediate needs of equity-minded corporations and investment-minded people.

You may wonder what this Full Reinvestment Treatment is likely to accomplish. It would, I believe, give the investor free rein to exercise his judgment in the purchase and sale of equity securities. It would so energize the flow of venture capital as to move us a giant step closer towards meeting industry's capital needs. And, finally, it would prove again that the American economic system has achieved its eminence because, above all else, it is adaptable — capable of meeting changes however swift and challenges however demanding.

The period ahead, of course, poses subtle dangers—one of the worst of which is probably frustration. The American economy must not find itself locked-in, cramped or unable to expand. In financial terms, there is no reason this should ever happen. For there are, in summary, millions of Americans who have the financial muscle to finance the future soundly. They are also interested in doing so.

But by the same token, **we will have to do a lot more worrying about the nation's investors.** Specifically, we will have to set out to create the climate in which they are more encouraged to invest. This calls for clearing the investment air, and for removing those arbitrary taxes that compound the hazards of investing. Further relief from the double tax on dividends, a reduction in the rate and holding period governing capital gains taxes, and tax-deferred treatment for full reinvestment of capital gains — these are part of the basic package that is required.

It will not be an easy job. Accomplishing it will take a patient and imaginative people. But as Gerald Johnson has said, the American doctrine was devised initially by brave men for brave men. If this is a truth we are willing to live by, I think we shall never have to ask ourselves, "Whatever happened to the American investor?"

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The State of Trade and Industry

60.5% of output last week and are evidencing a comparable trend on the sales front.

According to "Ward's" the auto industry is scheduling only three-day operations this week and the following week due to the year-end holidays.

Thus, its bid for 613,000-unit passenger car production this month, seems relegated down nearer the 585,000-unit level, "Ward's" concludes.

Government officials forecast a downturn in the cost of living for December and possibly January and February after the third straight month of increase.

The Bureau of Labor Statistics said the November index rose 0.1% to a new record high of 117.8% of the 1947-49 average.

Discounts now appearing on 1957 cars and declining meat and clothing prices were expected to outweigh increases in other items and force down the total index level for December, Commissioner Ewan Clague of the Bureau of Labor Statistics, declared.

He continued, the expected downturn will be slight because a number of factors will be tending to counteract these declines. Fuel prices, which were up 1.1% in November, will head higher, he added. The recent freight rate increase given to the nation's railroads also will have a "broad effect," he said. The impact will be not so much in the rates themselves, he declared, but in their influence on "many other items."

The November index rise brought a three cent an hour wage boost to steel workers effective Jan. 1, and will tend to increase the pressure for a steel price boost.

Building permit values in November registered a seasonal decline for the month, but remained above the corresponding 1955 month, Dun & Bradstreet, Inc., reported. Permits issued in 217 cities including New York, during November came to $489,803,866, a gain of 14.1% above the $429,366,384 for November, 1955, but a drop of 8.5% from the October figure of $535,228,128.

Building plans filed in New York City during November continued at a high level and totalled $74,795,675, up 34.1% above the $55,764,815 a year ago, and 3.5% more than October with $72,251,619.

Six of the eight geographic regions recorded increases over November last year, with best gains supplied by New England, up 60.3% and Mountain up 54.4%.

Steel Output Expected to Yield 96.3% of Capacity This Week

The world is producing more steel this year than ever before "Steel" magazine, the national metalworking weekly, reported on Monday of this week. Every country except the United States is turning out more steel than it did in 1955.

World production this year will total 310,048,000 net tons of steel for ingots and castings, according to the publication. This is a 4.7% increase over the preceding record of 296,107,695 tons made in 1955.

The United States, world's largest producer, is accounting for 37% or 115 million tons of the 1956 world output in spite of the midsummer steel strike. This is its second best year. Production in 1955 was 117,036,085 net tons.

Russia is the second largest steel producer this year. Even so, she is turning out less than half as much as the United States. Russia's output is 53,700,000 tons or 17% of the world total.

The United States has slipped percentage-wise in the world total, although she has gained tonnagewise. In 1946, the United States turned out 66,602,724 tons, 55% of the world total. World production in 1956 is a little more than 2½ times that of a decade ago.

Japan has recovered remarkably from her 1946 position as a vanquished nation when she turned out only 700,000 tons of steel. In 1956, she will have 11,700,000 tons.

The West Zone of Germany will make 25,700,000 tons in

1956, compared with 3,318,448 tons for all of Germany in 1946. The Soviet Zone of Germany is producing 3,200,000 tons in 1956.

Despite Russia's rise in steel production, the Free World countries will have the bulk of the output this trade paper declared.

Upward pressure on steel prices persists in the United States, with scattered upward revisions in price extras. "Steel's" composite on base prices for finished steel remains at $137.66 a net ton where it has been holding since early November.

The publication's composite on steelmaking scrap prices declined 67 cents to $64.83 a gross ton. The record of $66.17 a gross ton was reached in the week of Dec. 5.

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 96.3% of capacity for the week beginning Dec. 24, 1956, equivalent to 2,370,000 tons of ingot and steel for castings as compared with 102.6% of capacity, and 2,525,000 tons (revised) a week ago.

The Industry's ingot production rate for the weeks in 1956 is based on annual capacity of 128,363,090 tons as of Jan. 1, 1956.

For the like week a month ago the rate was 101.1% and production 2,489,000 tons. A year ago the actual weekly production was placed at 2,309,000 tons or 95.7%. 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 in Latest Period Expected to Approximate Previous Week's All-Time High Record

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Dec. 22, 1956, was estimated at 12,225,000,000 kwh. (approximate figure), a slight increase above the week ended Dec. 15, 1956, according to the Edison Electric Institute.

The past week's output rose 5,000,000 kwh. above that of the previous week, and at the same time established a new all-time high since the week ended Dec. 15, 1955 when output reached 12,220,000,000 kwh.; it increased 611,000,000 kwh. or 5.3% above the comparable 1955 week and 2,794,000,000 kwh. over the like week in 1954.

Car Loadings in Week Ended Dec. 15, Declined 2.9% Below Prior Period

Loadings of revenue freight for the week ended Dec. 15, 1956, were 21,105 cars or 2.9% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Dec. 15, 1956, totaled 716,652 cars, an increase of 7,520 cars or 1.1% above the corresponding 1955 week and an increase of 74,773 cars, or 11.6% above the corresponding week in 1954.

U. S. Automotive Output Cut 3.6% in Preparation For Extended Christmas Holiday

Car and truck output for the latest week ended Dec. 21, 1956, according to "Ward's" Automotive Reports," was pared 3.6% in preparation for the long holiday week-end.

Last week the industry assembled an estimated 152,588 cars, compared with 158,431 (revised) in the previous week. The past week's producton total of cars and trucks amounted to 176,067 units, or a decrease of 6,481 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 5,843 cars, while truck output declined by 638 vehicles during the week. In the corresponding week last year 150,881 cars and 19,103 trucks were assembled.

Last week the agency reported there were 23,479 trucks made in the United States. This compared with 24,117 in the previous week and 19,103 a year ago.

Canadian output last week was placed at 9,710 cars and 1,612 trucks. In the previous week Dominion plants built 10,587 cars and 2,033 trucks and for the comparable 1955 week 6,100 cars and 1,168 trucks.

Business Failures Decline in Latest Week

Commercial and industrial failures decreased to 214 in the week ended Dec. 20 from 249 in the previous week, Dun & Bradstreet, Inc., reports. However, the total remained noticeably above the 181 a year ago, and slightly exceeded the 213 in 1954. Failures were 14% below the prewar level of 249 in the similar week of 1939.

Failures involving liabilities of $5,000 or more declined to 175 from 210 last week, but moderately exceeded the 150 of this size in the similar week of 1955. Casualties among small businesses, involving liabilities under $5,000, totaled 39, reflecting no change from the preceding week, but were above the 31 of the comparable week a year ago. Sixteen concerns failed with liabilities in excess of $100,000, as against 23 a week ago.

Most of the week's decline centered in retail trade where the toll fell to 106 from 118 and in commercial service with a decline to 16 from 26. Manufacturing failures dipped to 36 from 44 and construction to 42 from 47. Casualties among wholesaling concerns were unchanged at 14. More businesses failed in retailing, construction and commercial service than a year ago, while the toll among manufacturers and wholesalers was below the 1955 level.

Six of the nine major geographical regions reported declines during the week. The most noticeable decreases occurred in the Middle Atlantic States, down to 55 from 79, in the South Atlantic States, down to 3 from 19 and in the Pacific States, down to 79 from 86. Casualties rose in the New England and East North Central regions, but were unchanged in the West South Central States. Increases from a year ago prevailed in five regions, with the sharpest rises in the Pacific, New England, and East North Central States. The most marked decline from 1955 occurred in the Middle Atlantic States, where a decrease of 28% was reported.

Wholesale Food Price Index Eased Moderately Last Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., moved lower the past week and registered $6.15 on Dec. 18. This compares with the year's high point of $6.18 recorded last week and again on June 5, 1956. The current figure reflects a rise of 3.2% over the $5.96 of a year ago at this time.

Higher in wholesale price last week were flour, rye, oats and coffee. Lower were corn, barley, sugar, cottonseed oil, cocoa, eggs steers and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Moved in a Narrow Range and Closed Slightly Lower the Past Week

Fluctuating mildly within a narrow range, the Dun & Bradstreet daily wholesale commodity price index closed at 299.79 on Dec. 18, slightly lower than a week ago, but higher than last year's index of 297.66 (1930-1932=100).

Except for rye prices, which gained slightly, the prices for grains sagged. Although there was considerable publicity given to the reports of drought in the Winter wheat growing areas of the Southwest, buying was not affected noticeably.

The announcement of higher soil bank payments for bread grains was followed by brisk buying in the middle of last week, but volume later tapered off. Grain buying for export was slow.

The volume of trading on the Chicago Board of Trade dropped sharply last week. Average daily purchases of grain and soybean futures declined to 52,000,000 bushels, compared with 80,000,000 a week earlier, but was noticeably above the 40,000,000 bushels a year ago.

Flour prices eased in slow trading; some observers thought that a noteworthy increase in flour buying would occur only with further price reductions. The export demand for rice remained high.

According to revised estimates by the Department of Agriculture, the output of bread grains in 1956 will be the second largest on record.

The combined wheat and rye crop is expected to total 265,000,000 short tons, just 9,000,000 tons smaller than the all-time peak in 1952.

Domestic sugar buying was routine the past week, although spot sugar prices advanced with an increase in trading in the international markets. Coffee prices rose sharply in heightened trading after new programs of support to the growers were announced by the producing countries. Cocoa prices advanced slightly; world production for the 1956-1957 season may be about 2% higher than in the previous season.

Lard futures declined in heavy selling and there was a sympathetic reaction in vegetable oils. The prices for both cottonseed oil and soybean oil dropped noticeably. Hog prices were stable, with marketings the smallest in eight weeks, and considerably lower than a year ago.

Although inquiries for cotton print cloths picked up somewhat, the prices dipped fractionally. Trading in cotton gray cloths generally was smaller than usual.

The prices for cotton futures weakened, possibly reflecting the reaction to rumors of a lower loan rate next season and a small increase in the most recent official crop estimate.

Buying was stimulated to some extent by the announcement that the average payment per acre under the soil bank plan would be substantially higher next year than this.

A smaller 1957 cotton crop may result if the farmers consider the higher payments sufficient inducement to increase their participation in the soil bank program. CCC loan entries in the first week of December dropped to the smallest volume in 10 weeks.

Trade Volume Rose Sharply in Past Week to Close Moderately Above Like Week a Year Ago

A sharp rise in consumer buying last week boosted total retail trade moderately above that of a year ago. Christmas shoppers were especially interested in children's clothing, toys, gifts and some fashion accessories. The call for major appliances, linens and men's apparel was below that of the same week last year.

Automobile dealers reported a continued rise in the buying of new and used passenger cars; dealers' inventories of new cars rose this week, but continued below a year ago.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 1% to 5% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1955 levels by the following percentages: New England —1 to +3; Middle Atlantic —2 to +2; East North Central, West North Central and Mountain +1 to + 5; South Atlantic and Pacific Coast +3 to +7; East South Central +4 to +8; and West South Central —4 to 0.

Although apparel stores reported a noticeable rise in the buying of women's sportswear, dresses and children's clothing, volume in cloth coats, furs and suits fell somewhat. While sales of men's apparel advanced last week, purchases were below those of the comparable 1955 period.

Shoppers increased their buying of television sets, radios and lamps, but sales of automatic laundry equipment, refrigerators and dishwashers were unchanged.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Dec. 15, 1956, advanced 2% above those of the like period last year. In the preceding week, Dec. 8, 1956, a decrease of 3% (revised) was reported. For the four weeks ended Dec. 15, 1956, no change was recorded. For the period Jan. 1, 1956 to Dec. 15, 1956, a gain of 3% was registered above that of 1955.

Retail sales volume in New York City the past week advanced 10% to 12% ahead of the similar period in 1955, according to the estimates of trade observers.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Dec. 15, 1956, increased 1% above the like period of last year. In the preceding week Dec. 8, 1956, a decrease of 2% (revised) was reported. For the four weeks ending Dec. 15, 1956, an increase of 1% was registered. For the period Jan. 1, 1956 to Dec. 15, 1956, the index recorded a rise of 5% above that of the corresponding period in 1955.

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Facing Troublesome Questions About Our Monetary System

weekly reporting member banks. In the twelve months ended last Nov. 21, these banks showed an increase in their commercial and industrial loans of $4,600,000,000 while their holdings of Government securities went down $3,700,000,000 and investments in other securities fell $709,000,000. In short, the banks simply shifted their assets from Government and other securities to loans. Meanwhile deposits declined nearly half a billion in the year.

I am told that in the first half of this year corporate business obtained over three and a half times as much in bank loans as was obtained in the first half of 1955.

In the eighteen months ended last June 30, bank loans rose $17-billion—the largest 18-month increase on record.

Results of Tight Money

The tight money policy thus far has hurt home builders, small business and municipalities that need to build schools and other improvements. It has not, as far as I can see, touched the capital goods boom. It may actually have stimulated, rather than curbed, business borrowing because the prudent corporation executive, reading and hearing about tight money policies, has in many cases borrowed money he did not yet need—just to be on the safe side.

This, of course, is not to say that tight money will not be effective. It may grab hold very soon now because financial institutions have come about to the end of the road when it comes to selling "governments" especially at current prices and in present thin markets. Moreover, many banks are "loaned up" to the limit of what they consider prudent.

In concluding may I say a personal word. I am not posing here as an expert. I do not pretend to know the answers to these difficult questions. I think it would require at least two years study by a monetary commission, aided by a first rate staff to begin to arrive at the answers. I do claim to be a qualified observer of the financial scene.

Does Not Want Immoderate Solutions

My record over nearly thirty years should prove, I think, that I am no enemy of the Federal Reserve Board or of any public officials who try honestly and according to their best judgment to serve us all. So far from being opposed to monetary management, including the quantitative control of credit, I have, I think, a clear record of having encouraged the broader understanding of these matters. As for the independence of the Fed—as far back as 1950 I pointed out that the Fed was under no compulsion, legal or otherwise, to peg Government bonds. I showed that in any contest between the Fed and the Treasury, the Treasury could not hope to win. I urged the Federal Reserve to take its courage in its hands and act independently.

The Board of Governors had a speech I made at that time reprinted and sent all over the country, and the following year they did assert their independence.

In raising now some troublesome questions, I am not seeking to injure the Federal Reserve System. On the contrary, I believe that if we cannot soon persuade moderate men to face up to these questions, we will be too late and will find ourselves confronted with immoderate solutions.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

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 Monorail Co., Cleveland, O. (1/7-11)**
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.]

★ **Applied Research Laboratories**
Dec. 14 (letter of notification) 1,411 shares of capital stock (par $1) of which 585 shares are to be offered at $7.96 per share, under options dated Jan. 1, 1954; 210 shares offered at $7.60 per share under option dated Jan. 1, 1955; and 616 shares at $7.22 per share, under option dated Jan. 1, 1956. Also 82 shares of class B stock (par $1) at $7.96 per share under option dated Jan. 1, 1954. **Proceeds** — For working capital. **Office** — 3717 Park Place, Glendale, Calif. **Underwriter**—None.

★ **Arkansas Louisiana Gas Co., Shreveport, La.**
Dec. 21 filed 964,454 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds**—To Tri-Continental Financial Corp., the selling stockholder. **Underwriters**—Eastman Dillon, Union Securities & Co., New York; and Stephens, Inc., Little Rock, Ark.

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.

★ **Brewster-Bartle Drilling Co., Inc., Houston, Tex.**
Dec. 21 filed $2,000,000 of 5% subordinated convertible debentures due Jan. 1, 1972. **Price**—To be supplied by amendment. **Proceeds** — For drilling oil and gas wells. **Underwriters** — White, Weld & Co., New York; and Rowles, Winston & Co., Houston, Tex.

★ **Brewster-Bartle Drilling Co., Inc., Houston, Tex.**
Dec. 21 filed 100,000 shares of common stock (par $2). **Price** — To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters**—White, Weld & Co., New York; and Rowles, Winston & Co., Houston, Tex.

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.

★ **Central Standard Indemnity Co.**
Dec. 10 (letter of notification) 10,000 shares of common stock (par $10) to be offered on a preemptive basis. **Price**—$20 per share. **Proceeds**—For working capital and surplus. **Office**—211 W. Wacker Drive, Chicago, Ill. **Underwriter**—None.

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.

★ **Community Research & Development, Inc. (1/15)**
Dec. 20 filed $3,000,000 of 6% convertible debentures due Jan. 1, 1972. **Price**—To be supplied by amendment. **Proceeds** — To acquire stock of Talbottown Shopping Center and others. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

● **Continental Copper & Steel Industries, Inc. (1/10)**
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 as of Jan. 10, 1957. **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.

★ **Cooperative Grange League Federation Exchange, Inc.**
Dec. 21 filed $1,200,000 of 4% subordinated debentures due Jan. 1, 1966; 10,000 shares of 4% cumulative preferred stock (par $100) and 150,000 shares of common stock (par $5). **Price**—At principal amount or par value. **Proceeds**—For working capital. **Office** — Ithaca, N. Y. **Underwriter**—None.

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 non-cumulative preferred stock, first series (par $1), and warrants to purchase 500,000 shares of common stock (par 10 cents) to be offered for subscription initially by common stockholders in units of 25 preferred shares and a warrant to purchase five common shares. **Price**—$25.50 per unit (each warrant will entitle the holder to purchase one common share at any time prior to Dec. 31, 1957 at $2 per share). **Proceeds**—To repay mortgages, to $1,312,500 of five-year 6% sinking fund debentures, and for further acquisitions and working capital. **Underwriter**—To be named by amendment.

Douglas Corp., Fort Collins, Colo.
July 27 filed 4,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds** — For exploration, development and acquisition of properties and for working capital. **Underwriter**—Columbia Securities Co., Denver, Colo.

● **Drexel Furniture Co., Drexel, N. C. (12/28)**
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.

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.

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 (1/10)**
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.

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. (12/31)**
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 on Jan. 21. **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.

★ **Illinois Power Co. (1/9)**
Dec. 20 filed 200,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay $8,000,000 of bank loans and for construction program. **Underwriters**—The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

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.

★ **International Duplex Corp., San Francisco, Calif.**
Dec. 21 filed 500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To equip and establish five super launderettes and for working capital. **Underwriters**—Names to be supplied by amendment.

★ **Interstate Oil Pipe Line Co. (1/9)**
Dec. 20 filed $25,000,000 of 25-year sinking fund debentures due Jan. 1, 1982. **Price**—To be supplied by amendment. **Proceeds** — To construct additional pipe line facilities. **Underwriter** — Morgan Stanley & Co., New York.

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.

★ **Justice Co.**
Dec. 12 (letter of notification) 290,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For a laboratory and equipment, patent costs, working capital, etc. **Office**—927-15th Street, N. W., Washington, D. C. **Underwriter**—None.

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.

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. Publ-

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NEW ISSUE CALENDAR

December 27, 1956 (Thursday)
Chesapeake & Ohio Ry. — Equipment Trust Ctfs.
(Bids noon EST) $4,200,000

December 28, 1956 (Friday)
Drexel Furniture Co. — Common
(Exchange offer—no underwriting) 190,000 shares

December 31, 1956 (Monday)
Hawaiian Pineapple Co., Ltd. — Common
(Offering to stockholders — Underwritten by Dean Witter & Co.) 413,920 shares

January 2, 1957 (Wednesday)
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 noon EST) $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)
American Monorail Co. — Preferred
(Fulton, Reid & Co., Inc.) $800,000
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) $694,900
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)
New England Tel. & Tel. Co. — Debentures
(Bids 11 a.m. EST) $35,000,000
Southern Ry. — Equipment Trust Ctfs.
(Bids noon EST) $5,540,000

January 9, 1957 (Wednesday)
Aluminum Co. of America — Debentures
(The First Boston Corp.) $125,000,000
Illinois Power Co. — Common
(The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane) 200,000 shares
International Bank for Reconstruction and Development — Bonds
(Morgan Stanley & Co. and The First Boston Corp.) $100,000,000
Interstate Oil Pipe Line Co. — Debentures
(Morgan Stanley & Co.) $25,000,000
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
Continental Copper & Steel Industries, Inc. — Com.
(Offering to stockholders—underwritten by Allen & Co.; P. W. Brooks & Co. Inc.; and Auchincloss, Parker & Redpath) 170,000 shares
General Telephone Co. of California — Preferred
(Paine, Webber, Jackson & Curtis and Mitchum, Jones & Templeton) $10,000,000
General Telephone Co. of Michigan — Preferred
(Exchange offer—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. to act as dealer-managers) 160,000 shs.
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
Niagara Mohawk Power Corp. — Debentures
(Offering to stockholders—underwritten by Harriman Ripley & Co. Inc.) $46,224,200
Riegel Textile Corp. — Debentures
(Morgan Stanley & Co.) $12,000,000
Sears Roebuck Acceptance Corp. — Debentures
(Goldman, Sachs & Co.; Halsey, Stuart & Co. Inc.; and Lehman Corp.) $50,000,000

January 14, 1957 (Monday)
Pacific Petroleums, Ltd. — Debentures
(Eastman Dillon, Union Securities & Co.) $15,000,000

January 15, 1957 (Tuesday)
Community Research & Development, Inc. — Debs.
(Alex. Brown & Sons) $3,000,000
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
Missouri Public Service Co. — Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co.) 319,894 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
Southwestern Public Service Co. — Common
(Offering to stockholders—to be underwritten by Dillon, Read & Co., Inc.) 291,967 shares

January 17, 1957 (Thursday)
Chicago & Eastern Illinois RR. — Equip. Tr. Ctfs
(Bids to be invited) $1,980,000
Oklahoma Gas & Electric Co. — Bonds
(Bids 10:30 a.m. EST) $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
Western Light & Telephone Co., Inc. — Common
(Offering to stockholders—to be underwritten by Dean Witter & Co.) about 65,000 shares

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

January 31, 1957 (Thursday)
Socony Mobil Oil Co. — Common
(Offering to stockholders—to be underwritten by Morgan Stanley & Co.) about 4,400,000 shares

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

February 7, 1957 (Thursday)
Phillips Petroleum Co. — Debentures
(Offering to stockholders—to be underwritten by The First Boston Corp.) about $171,000,000

February 19, 1957 (Tuesday)
Southern California Edison Co. — Bonds
(Bids to be invited) $37,500,000

March 19, 1957 (Tuesday)
Appalachian Electric Power Co. — Bonds
(Bids to be invited) $29,000,000

March 26, 1957 (Tuesday)
American Telephone & Telegraph Co. — Bonds
(Bids to be invited) $250,000,000

May 9, 1957 (Thursday)
Alabama Power Co. — Bonds
(Bids to be invited) about $19,000,000

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lic offering will be made by employees of the company and qualified licensed dealers.

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.

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 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 Gourley 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.

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.

★ **Missouri Public Service Co. (1/15)**
Dec. 21 filed 319,894 shares of common stock (no par) to be offered for subscription by common stockholders on the basis of one new share for each five shares held on or about Jan. 15, 1957; rights to expire about Jan. 29. **Price**—To be supplied by amendment. **Proceeds**—Together with $5,000,000 to be received from private sale of first mortgage bonds, to be used to retire bank loans and pay for new construction. **Underwriter**—Kidder, Peabody & Co., New York.

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.

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 up to 11 a.m. (EST) on Jan. 8, 1957.

★ **Niagara Mohwak Power Corp. (1/10)**
Dec. 20 filed $46,224,200 of convertible debentures due Feb. 1, 1972, to be offered for subscription by common stockholders of record Jan. 10, 1957 at the rate of $100 of debentures for each 25 shares of stock held; rights to expire on Jan. 28, 1957. **Price**—100% of principal amount. **Proceeds** — For construction program. **Underwriter**—Harriman Ripley & Co. Inc., New York.

★ **Northeast Metals Industries, Inc.**
Dec. 14 (letter of notification) 20,000 shares of common stock (par 10 cents) to be issued upon exercise of warrants between Nov. 14, 1956 and Nov. 14, 1961. **Price**—$2 per share. **Proceeds**—To pay bank loan; purchase equipment; and for working capital. **Office** — 1206 N. Front Street, Philadelphia, Pa. **Underwriter**—Pearson, Murphy & Co., Inc., New York, N. Y.

● **Northwestern Public Service Co. (1/7-8)**
Dec. 18 filed 54,120 shares of common stock (par $3) to be offered for subscription by common stockholders of record Jan. 7 or Jan. 8 on the basis of one new share for each 10 shares held; with a 14-day standby. **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 up to 10:30 a.m. (EST) 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. (1/14-18)**
Dec. 20 filed $15,000,000 of subordinate debentures due Jan. 1, 1977. **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans and for expansion program. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

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.
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.

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.

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.

★ **Red Rock Oil & Gas Co.**
Dec. 13 (letter of notification) 27,330 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For development of oil and gas properties. **Office**—Suite 2, Cragin Bldg., 308 Fremont Street, Las Vegas, Nev. **Underwriter**—None.

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.

★ **Riegel Textile Corp. (1/10)**
Dec. 20 filed $12,000,000 sinking fund debentures due 1977. **Price**—To be supplied by amendment. **Proceeds**—To retire $4,400,000 term notes and to reduce short-term bank loans. **Office**—New York City. **Underwriter**—Morgan Stanley & Co., New York.

★ **River Properties, Inc.**
Dec. 13 (letter of notification) 30,000 shares of common stock (par 50 cents) to be offered to stockholders. **Price**—$1.15 per share. **Proceeds**—For retirement of second mortgage and working capital. **Office** — 922 Osorio Avenue, Coral Gables, Fla. **Underwriter**—None. Robert M. Thomson is President.

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**—Morgan 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.

★ Sears Roebuck Acceptance Corp. (1/10)
Dec. 21 filed $50,000,000 of debentures due 1972. **Price**—To be supplied by amendment. **Proceeds**—To purchase customer installment receivables from the parent, Sears, Roebuck & Co. **Underwriters** — Goldman, Sachs & Co.; Halsey, Stuart & Co. Inc.; and Lehman Brothers; all of New York and Chicago.

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.

★ Southwestern Public Service Co. (1/16)
Dec. 21 filed 291,967 shares of common stock (par $1) to be offered for subscription by common stockholders of record Jan. 16, 1957 on the basis of one new share for each 14 shares held (with an oversubscription privilege); rights to expire on Jan. 30, 1957. **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for construction program. **Underwriter** — Dillon, Read & Co. Inc., New York.

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. **Underwritres**—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.

★ Town & County Securities Corp., Fort Wayne, Indiana
Dec. 17 (letter of notification) 25,000 shares of common stock (no par). **Price** — $10 per share. **Proceeds** — To finance installment sales of food and freezers for the company. **Underwriter**—None.

Trans-Canada Pipe Lines, Ltd.
Nov. 26 filed $80,000,000 (Canadian) of subordinated debentures due 1986 and 4,000,000 shares of common stock (par $1-Canadian) to be offered in units of $100 of debentures and five shares of stock. **Price**—$150 per unit. **Proceeds**—For new construction. **Underwriters**—In United States: Lehman Brothers, Stone & Webster Securities Corp. and White, Weld & Co. In Canada: Nesbitt Thomson & Co. Ltd.; Wood, Gundy & Co. Ltd.; McCloud, Young, Weir & Co., Ltd.; and Osler, Hammond & Nanton, Ltd. **Offering**—Expected in the last half of January.

Tri-State Rock Material Corp., Leesburg, Va.
Nov. 28 filed 500,000 shares of 6% cumulative convertible preferred stock. **Price**—At par ($1.50 per share). **Proceeds** — For asphalt plant, equipment, working capital and other corporate purposes. **Underwriter**—None.

Tyrex Drug & Chemical Corp.
Nov. 5 (letter of notification) 150,000 shares of class A stock (par one cent). **Price**—$2 per share. **Proceeds**—For equipment, raw materials, working capital and other corporate purposes. **Office**—42 Newark St., Hoboken, N. J. **Underwriter**—Dennis Securities Corp., Hoboken, N. J.

★ Union Tank Car Co., Chicago, Ill.
Dec. 21 filed 55,000 shares of capital stock (no par) to be offered pursuant to an employees' savings and stock purchase plan for the benefit of employees of the company and its two wholly-owned subsidiaries.

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.

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.

Wildcat Mountain Corp., Boston, Mass.
Aug. 13 filed $800,000 of 6% subordinated cumulative debentures due Dec. 1, 1976, and 6,000 shares of common stock (no par) to be offered in units of a $400 debenture and three shares of stock. **Price** — $500 per unit. **Proceeds**—For construction and working capital. **Business**—Mountain recreation center. **Underwriter**—None; offering to be made by officers and agents of company.

Wilson & Co., Inc.
Aug. 28 filed $20,000,000 of 20-year sinking fund debentures due 1976. **Price**—To be supplied by amendment. **Proceeds** — To redeem presently outstanding first mortgage bonds, to repay bank loans and for expansion program. **Business**—Meat packing firm. **Underwriters**—Smith, Barney & Co.; Glore Forgan & Co. and Hallgarten & Co., all of New York City. **Offering**—Indefinitely postponed.

Prospective Offerings

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.

★ Alabama Power Co. (5/9)
Dec. 17 it was reported company plans to issue and sell about $19,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman, Dillon, Union Securities & Co.; Equitable Securities Corp. and Drexel & Co. (jointly); Lehman Brothers; Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co. **Bids**—Tentatively expected to be received on May 9.

★ American Machine & Foundry Co.
Dec. 21 directors voted in favor of a $13,000,000 to $14,000,000 issue of subordinated convertible debentures to be offered for subscription by stockholders. **Proceeds**—To provide working capital for expanding sales and rentals. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

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.

● Appalachian Electric Power Co. (3/19)
Dec. 24 it was reported company plans to issue and sell $29,000,000 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.; Eastman Dillon, Union Securities & Co. and Kuhn, Loeb & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—Tentatively expected March 19. **Registration**—Planned for Feb. 13.

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., Chicago, Ill. **Registration**—Planned in January. **Offering**—Expected in mid-February.

Brazos River Gas Co. (Texas)
Nov. 12 it was reported that early registration is expected of approximately 200,000 shares of common stock of this company, formerly Upham Gas Co. **Price**—Expected to be about $5 per share. **Proceeds**—To selling stockholders. **Underwriters**—Shields & Co. and Shearson, Hammill & Co., both of New York.

★ Brunswick-Balke-Collender Co.
Dec. 17 it was reported company may do some financing

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in the near future. **Underwriter**—Lehman Brothers, 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.

★ Chicago & Eastern Illinois RR. (1/17)
Bids are expected to be received by the company on Jan. 17 for the purchase from it of $1,980,000 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.

★ Columbus & Southern Ohio Electric Co. (3/5)
Dec. 20 it was announced company is planning to issue and sell $16,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans temporarily employed to finance plant expansion. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc. and The Ohio Co. (jointly); Lee Higginson Corp. and Salomon Bros. & Hutzler (jointly); Eastman Dillon, Union Securities & Co., and Glore Forgan & Co. (jointly). **Bids**—Tentatively scheduled to be received on March 5. **Registration**—Planned for Feb. 5.

Connecticut Light & Power Co.
Nov. 27 it was announced company will probably offer to its stockholders early in 1957 some additional common stock, to finance part of its construction program. **Underwriter**—None.

Consolidated Edison Co. of New York, Inc.
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 in January, 1957, 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.

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.

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.

★ International Bank for Reconstruction and Development ("World Bank") (1/9-15)
Dec. 27, Eugene R. Black, President, announced that this Bank proposes to make an offering of $100,000,000 20-year bonds. **Price**—Expected at a price to yield between 4.30% to 4.40% to maturity. **Underwriters** — Morgan Stanley & Co. and The First Boston Corp., both of New York.

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 these 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.

New York State Electric & Gas Corp.
Oct. 24 it was announced company plans to sell in the Spring of 1957, $25,000,000 of debt securities and an additional $20,000,000 in 1958. **Proceeds** — To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co. Inc. and Smith, Barney & Co. (jointly); The First Boston Corp. and Glore, Forgan & Co. (jointly); Harriman Ripley & Co. Inc.; Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly).

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.

★ Ohio Edison Co.
Dec. 21 company applied to the Ohio P. U. Commission for authority to issue and sell 580,613 additional shares of common stock to its common stockholders at the rate of one new share for each 10 shares held at or about the end of January, 1957 (with an oversubscription privilege). **Proceeds**—For additional investment in common stock of Pennsylvania Power Co., a subsidiary, and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: White, Weld & Co., Lehman Brothers and Bear, Stearns & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp.

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.

Pacific Northwest Power Co.
Aug. 13 it was reported company plans to sell about $32,000,000 of common stock to the organizing companies and that arrangements are expected to be made to borrow up to $60,000,000 on a revolving bank loan which will be reduced through the sale of bonds to institutional investors as well as the general public. **Proceeds**—To pay,

in part, for cost of new power project to cost an estimated $217,400,000.

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. (2/7)**
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 about Feb. 7; with rights to expire on Feb. 25. **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. **Registration**—Expected about Jan. 16.

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.

Seiberling Rubber Co.
Sept. 10 it was reported that the company plans long-term debt financing and/or issuance of additional common stock. **Proceeds**—To redeem preferred stocks and for expansion program, etc. **Underwriter** — Probably Blair & Co. Incorporated, New York.

● **Socony Mobil Oil Co. (1/31)**
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 as of about Jan. 30, 1957; rights to expire about Feb. 19. (At Sept. 30, 1956 there were outstanding 43,727,585 shares). The financing may also include an offering of debentures not exceeding $160,000,000. **Proceeds** — For exploration and development costs and for plant expansion. **Underwriter** — Morgan Stanley & Co., New York.

★ **Southern California Edison Co. (2/19)**
Dec. 27, E. R. Peterson, Financial Vice-President, announced that the company plans to issue and sell $37,500,000 first and refunding mortgage bonds. **Proceeds**—To help finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Dean Witter & Co. (jointly); Blyth & Co., Inc.; Kuhn, Loeb & Co. **Bids**—Tentatively expected to be received on Feb. 19.

★ **Southern Co.**
Dec. 24 it was reported company plans to issue and sell about 1,000,000 additional shares of common stock. Directors to meet Jan. 17 to determine method of offering. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Morgan Stanley & Co.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Equitable Securities (jointly).

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 will be received by the company up to noon (EST) on Jan. 3 for the purchase from it of $9,600,000 of equipment trust certificates, series WW, due in 15 equal annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● **Southern Ry. (1/8)**
Bids will be received by the company up to noon (EST on Jan. 8 for the purchase from it of $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)
Dec. 21 it was announced 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.

● **Sylvania Electric Products, Inc.**
Dec. 13 it was reported company planned 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. **Offering**—Postponed indefinitely.

Texam Oil Corp., San Antonio, Texas
Oct. 1 it was announced that the 1,000,000 additional shares of common stock, recently authorized by the directors, will provide the company with the additional working capital it will require for further expansion.

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 Light & Telephone Co., Inc. (1/22)**
Dec. 19, A. L. Mullergren, President, announced that the company plans to offer to its common stockholders of record Jan. 22, 1957, approximately 65,000 shares of convertible preferred stock (par $25) on the basis of one preferred share for each eight shares of common stock held. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

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, 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

The atmosphere around the underwriting business was a bit more on the cheerful side as the year ended with the U. S. Government's long term securities reflecting the lifting of pressure and some show of interest in the buying side.

Steady shearing away of bids a fortnight ago had been disturbing even though it was recognized as largely a year-end development reflecting the temporary withdrawal of major investment interests from the scene.

Some viewed the marking down of bids as in the nature of an adjustment to the changes which have taken place in corporate bond yields over a period of months. In such circles, Treasury's had been looked upon as lagging in that regard.

Now that yield relationships are more nearly in keeping with what might be termed normal brackets, the market is viewed as being in better shape to meet the tasks that will be placed upon it as industry proceeds to seek part of the new capital it needs to carry on its program of expansion which is ahead.

It may be that unless profit margins pick up in the months ahead many firms will have to seek a larger portion of such new capital in the money market, since it is probable there will be smaller balances remaining out of earnings for such purposes.

The corporate market, including recent new issues, it is interesting to note, closed the old year on a slightly firmer basis which could augur well for the tasks ahead.

Chesapeake & Ohio Holds Fort

Seldom has even the final week of a given year wound up with such an air of quiet as marks the current period.

The only piece of financing in prospect is Chesapeake & Ohio Rwy's $4,200,000 of equipment trust certificates on which the big coal carrier is scheduled to open bids today.

Reason for the veritable dearth of new offerings is not difficult to find. On the contrary, most companies for one thing, probably would like to get their latest earnings in any new registration statement or amendment. And again, major institutional investors have had their books closed down and are only now opening up the new ledgers.

Opening 1957

Among the issues expected in the first week of the new year are two offerings for Scovill Manufacturing Co., one representing a $10,000,000 debenture issue, the other constituting a rights offering to holders of outstanding common stock. Likewise, stockholders of Hawaiian Pineapple Co. will be offered an opportunity to add to their holdings through the exercise of rights.

In the competitive bidding field, investment bankers will submit offers for an issue of $9,600,000 Southern Pacific Co. equipment trust certificates.

Also on tap for the opening week will be a combined offering of debentures and common stock on behalf of the Prince Marine Drilling and Exploration Co.

Looking Ahead

The second week of the new year will bring quite a turnabout in the situation, with a number of corporate issuer slated to come into the market for funds. Largest in the list is Aluminum Co. of America's $125 million of debentures being marketed by the negotiated route.

New England Telephone & Telegraph will open bids for $35 million of debentures and Standard Oil Co., through bankers, will bring out $25 million of debentures. Pacific Power & Light has $20 million of bonds up for bids while Idaho Power Co. is asking bids on a similar amount of bonds.

Debenture underwritings will be made on behalf of Sears, Roebuck Acceptance Corp.; Niagara Mohawk Power Corp.; Interstate Oil Pipe Line Co.; and Riegel Textile Corp.

Meanwhile a number of equity undertakings also are ready to go, topped by Armco Steel's 1,092,925 shares of additional common to be offered on "rights." Illinois Power Co. has an issue of 200,000 shares of additional common on schedule.

Moreover, the World Bank is slated to enter the market in the near future via an underwriting of $100 million bonds.

Schwabacher Adds

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, Calif. — Donald L. Balch has become connected with Schwabacher & Co., 930 State Street.

Mutual Funds

By ROBERT R. RICH

Keystone Forecasts Expanding Boom

Steadily rising expenditures for industrial and public construction and for automobiles will produce modest growth in the nation's economy for the first six months of 1957, according to the annual forecast by the economics department of Keystone Custodian Funds.

A special review of the money market is featured in the Keystone report. After explaining the causes of the present tight money situation, the report states that sufficient credit will be available for legitimate financial requirements even though the demand for funds is likely to continue to exceed the supply of savings as long as our economy is expanding.

Another feature of the report is a statistical presentation of financial and economic indices showing their prewar average, the figures at various stages of the last decade, the present ratings, and the percent of change from the prewar picture to current economy.

Assuming no major war, Keystone economists predict that Gross National Product will rise $15 billion to a new high of $427 billion, thus making substantial progress toward the $565 billion objective envisioned by President Eisenhower for 1965.

The Keystone experts forecast the following increases over 1956 figures for other key business indicators: National income, up $15 billion to $359 billion; personal spending, up $12 billion to $278 billion; defense spending, up $2 billion to $43 billion; corporate profits, up $0.4 billion to $21.7 billion; corporate dividends, up $0.1 billion to $12.3 billion; and retail auto sales, up 500,000 units to 6.8 million.

As in 1956, selectivity will again be the pattern for investors. Daily evaluation of the events abroad and a close study of domestic industrial trends will dictate the success of investments in 1957, according to the report.

Among the specific reasons cited as indicating an increasing demand for money over the long term are the following: the growth of research expenditures from $1 billion to $5 billion in the last decade, resulting in new technologies and products that must be financed in part out of new capital; the huge backlog of demand for public construction; the continued expansion of the population and of the civilian labor force; and the steadily improving standard of living.

Despite the tight money situation, Keystone economists think that a combination of the Federal Reserve Board's credit policies and supporting action by other governmental agencies and the financial and business world will provide sufficient credit for all legitimate financial requirements.

Merrill Griswold, Industry Leader, Plans to Retire

Merrill Griswold will retire as chairman of the advisory board of Massachusetts Investors Trust on Dec. 31, it was announced.

Mr. Griswold became a trustee of M. I. T. in 1925 and was named chairman of the trustees in 1932. He held that position until the close of 1953 when he assumed his present position. In retirement Mr. Griswold will continue to serve M. I. T. on a consulting basis as honorary chairman of the advisory board.

He played a major role in aiding Congress in drafting the Investment Company Act of 1940. In 1936 he was one of the leaders in the effort which led to the Federal tax legislation whereby investment companies are not subject to Federal income tax provided all taxable income is distributed to shareholders.

On Sept. 30, M. I. T. had total net assets of $1,037,626,857. There were 150,885 shareholders.

M.I.T. Growth Fund Breaks Previous Records

Massachusetts Investors Growth Stock Fund surpassed all previous records for growth in the year ended Nov. 30, 1956, including a 55% increase in the number of shareholders, according to the fund's 24th annual report.

Total net assets were $103,641,791, with 10,201,034 shares outstanding, compared with $77,092,340 in assets and 8,258,316 shares outstanding a year ago.

The number of shareholders increased to 32,570, including 14,281 or 44% of the total, who used the fund's cumulative investment program to acquire additional shares on a regular basis. The total number of shareholders compares with 20,962 a year ago.

The net asset value per share on Nov. 30, 1956 was $10.16 per share, also a record high. Together with a capital gain distribution of 50 cents paid this month, the year-end asset value amounted to $10.66 compared with $9.34 a year ago.

At year end the fund held common stocks in 71 companies in 25 industries, the report said. A year ago the portfolio contained the common stocks of 58 companies in 18 industries.

On Nov. 30, 1956 the fund had 17 stocks in its portfolio which were not held as of Nov. 30, 1955: Burroughs Corporation; Wells Fargo Bank; Union Carbide & Carbon Corp.; Caterpillar Tractor Co.; Continental Assurance Co.; Continental Casualty Co.; Union Oil & Gas Corp. of La.; Gulf Oil Corp.; Halliburton Oil Well Cementing Co.; J. Ray McDermott Co.; Welex Jet Services, Inc.; Monterey Oil Company; Gillette Company; Outboard Marine Corp.; American Airlines; Eastern Airlines, and Pan American World Airways.

Financial Industrial Fund, Inc. total net assets increased during the recent quarterly period to a level exceeding that reported at the end of any previous quarter. The total net assets of $61.9 million at Nov. 30, 1956, represented an increase of $16.0 million over the $45.9 million a year earlier—an increase of 34% for the 12-month period.

The report to shareholders showed that as of Nov. 30, 1956, Financial Industrial Fund, Inc. held investments in the securities of 104 leading companies represented in 18 major industry classifications and concentrated in such growth industries as chemicals, 15.7% of total assets; industrial and business equipment, 13.5%; oil and natural gas, 13.4%; and electronics and electrical equipment, 7.7%.

During the recent quarter, the Fund's management continued to express its confidence in the long-term growth potential in the chemical industry by purchasing additional shares of the following chemical companies: Air Reduction Company, Allied Chemical & Dye Corporation, Food Machinery & Chemical Corporation, International Minerals & Chemical Corporation, Monsanto Chemical Company, Olin Mathieson Chemical Corporation and Spencer Chemical Corporation.

Energy Fund Sees For Future Record Growth

Future energy production and consumption, a somewhat amazing prediction of inevitable growth during the next 15 years, ranging from a tripling of use of electric power, to nuclear power plants capable of producing 12 million kilowatts, has been highlighted in the 1956 annual report of Energy Fund Incorporated, an open-end investment company of the "no-load" type specializing in energy industries, and managed and distributed by Ralph E. Samuel & Co. of New York.

Of all of the exciting happenings of the 20th century, none is more dramatic or impressive than the amazing development of energy from our natural resources, the fund states.

During the last 50 years in the U. S. A. our population has slightly more than doubled. Meanwhile, we use more than eight times as much power from coal, petroleum, natural gas and electricity as we used in 1906. In the last quarter of a century our production of energy in all its forms has grown faster than just about any other phase of American industrial activity.

The following 25-year period comparison illustrates the point.

Between 1930 and 1955:

U. S. automobile production increased 181%; U. S. steel production increased 162%; total U. S. production increased 183%.

For the same period, the energy industries show the following gains:

U. S. electric power consumption increased 542%; U. S. natural gas consumption increased 339%; U. S. petroleum consumption increased 233%; European petroleum consumption increased (1947-1955) 170%.

In addition, by 1960 U. S. nuclear energy plants will have an installed generating capacity totaling about one million kilowatts, a source that, of course, was unknown in 1930.

"It is no exaggeration," says Ralph E. Samuel, President of Energy Fund, "that we have been living through an energy revolution, and there is every indication that expansion in energy use must inevitably continue for years on end."

The Energy Fund report adds that by 1970 it is believed that the United States nuclear energy plants will have an installed generating capacity of more than 12 million kilowatts.

With Marache, Dofflemyre

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles F. Coates has been added to the staff of Marache, Dofflemyre & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

Tiny Radio Sphere To Telegraph Outer Space News

A small, 21-pound sphere with a 13-ounce radio transmitter for its heart, will soon unravel some of the mysteries of outer space which long have defied man in his quest for interstellar information, according to the December issue of "Atomic Activities," published by National Securities & Research Corporation, which sponsors and manages the National Securities Series of mutual funds with assets of nearly $300,000,000.

The first man-made moon or satellite, to be rocketed at the rate of 25,000 feet per second to its orbit some 300 miles from the earth's surface during the International Geophysical Year in 1957, is expected to provide answers to such basic questions as the nature of electromagnetic and corpuscular radiation, the mechanics of the solar system and solar energy transmission.

The tiny radio transmitter, a miracle of electronics, is capable of transmitting a variety of information for more than 4,000 miles, Robert Colton, manager of the corporation's Atomic & Electronics Division, stated. He added that in its probing of outer space phenomena, the transmitter will also relay to observers stationed on earth such additional information as the size, density and effect of meteorites and the range of temperatures.

"The problems associated with the satellite design," Mr. Colton said, "are no less formidable than the problem of placing the satellite in its orbit and, after careful consideration of several alternatives, a three-stage rocket was chosen for this job."

Mr. Colton described the missile as being shaped like a giant 30-30 rifle cartridge, 72 feet long and nearly four feet at its greatest diameter.

"The first two stages of the rocket, propelled with liquid fuels fed to the combustion motor by turbine-driven pumps," he said, "are controlled by sensitive inertial guidance equipment." "Together," he explained, "they raise the third stage almost to a desired height of 300 miles, tilting slightly eastward toward the end of their trajectory."

During the third stage, he added, a solid propellant imparts to the satellite the tangential velocity necessary for orbiting.

When it reaches orbital velocity, this third stage will in itself become a satellite; after it has ejected the spherical, man-made moon, Mr. Colton pointed out, adding "but unlike its instrumented passenger, it will have no means of transmitting vital outer-space information to observers on earth."

Wellington's District Representatives Meet

The annual meeting of district representatives of Wellington Fund was held in Philadelphia Dec. 17 through Dec. 20. According to A. J. Wilkins, Vice-President in charge of national distribution, the meeting was one of the most productive in the 28-year history of the fund.

District representatives from all sales territories in the country came to Wellington's Philadelphia headquarters where they met in formal sessions with more than a score of Wellington officials and discussed all phases of the fund's operations and its plans and aims for the coming year.

Mr. Wilkins, who presided at the meetings, pointed out that this year's sessions had particular significance in view of Wellington's record sales of some $100,000,000 through independent investment firms throughout the country.

Continued from page 3

Immediate and Intermediate Future Business Prospect

dominate the American financial scene.

Since World War II, business corporations have been financing their needs for funds chiefly from internal sources, that is, depreciation allowances and retained profits. As plant, equipment and inventory spending mounts, however, this becomes less and less feasible; especially if, as now, retained corporate profits show a declining tendency due in part to higher dividend payments.

In the first half of this year, the Department of Commerce reports, industry's investment expenditures have exceeded the flow of funds from depreciation and retained profits by a much wider margin than in 1955.

As a consequence, total bank loans to corporate business expanded in the first half of this year by $3.6 billion—a six months' peak for the past five years; and bond financing was at a near-record level. Corporation holdings of cash and U. S. Government securities were reduced by almost $8 billion, a six months' reduction exceeding by far anything experienced in the preceding four years. The liquidity ratio of all business corporations, which is the ratio of cash and government securities held to current liabilities, declined from 54% at the end of last year to 48% at the end of June, 1956.

It is clear that American business, in order to carry out the huge expansion program upon which it is now embarked, will have to rely increasingly upon borrowed money. Net cash inflow is diminishing. Liquid resources have been reduced to a point where cash and government security holdings cannot be cut back much more. Equity financing tends to become more difficult since the long rise of the stock market has ended, at least for the time being. Moreover, many investors are realizing profits on stocks to reinvest the proceeds in the higher yielding corporation bonds and tax-exempt securities that are now available to them. The flattening out of the trend of corporate profits makes it doubtful that dividends will be further increased in the near future sufficiently to offset the more attractive current return offered by bonds.

The Credit Squeeze

The sharp upturn in business borowing that has taken place has been superimposed upon a very heavy demand for mortgage money to finance home building. The mortgage debt on all properties is increasing at the rate of some $15 billion per annum at the present time. Corporate and municipal borrowers are increasing their long-term debt at a rate of over $10 billion yearly.

The trend of business borrowing will inexorably continue upward in the period immediately ahead, while the demand for funds for commercial and industrial construction and for public works will swell total demands. Along with this, world tensions give rise to the prospect that defense spending will again expand.

The supply of savings available to satisfy the demand for mortgage loans, and for business and other borrowing is relatively stable. Institutions receiving these savings such as banks, insurance companies, savings and loan associations and pension funds have some $20 billion of new funds to invest annually. The volume of such new savings increases relatively little from year to year.

Moreover, limited investment powers or objectives of certain of these thrift institutions deprive savings they receive of some of their flexibility. For example, no matter how much a balanced economy at a given time may require savings to be invested in other fields, the vast sums of new savings received, mortgage repayments collected and additional amounts borrowed by savings and loan associations flow into home financing exclusively, except in wartime when home building activity is halted. In contrast, mutual life insurance companies and mutual savings banks have a large measure of flexibility in channeling new savings and other sums collected into areas where they are needed at the time.

The supply of savings is not expanding materially to satisfy current heavy demands. Borrower competition is keen for these savings, which not only are inadequate in total but are in large proportion rigidly committed to certain classes of borrowers. Would-be borrowers are turning to the commercial banks in greater numbers. However, the Federal Reserve authorities do not want the banks to expand their total loans and investments, and thereby their deposits, on any large scale because of the inflationary consequences they fear will follow. Hence, the monetary authorities have taken steps to limit bank reserves in order to check expansion of loans. In effect, the commercial banks have had to ration credit, since they are not in position to expand the supply of loanable funds to anything like the extent needed to satisfy the enormous demands that are now being made upon them.

The origin of the credit squeeze from which the economy now suffers, in other words, is an increase in the demand for investment funds that far exceeds the supply of savings, and a determination by the monetary authorities that the shortage of savings shall not be corrected by expansion of bank credit. The argument advanced by the Federal Reserve authorities is that, with steel and other key materials in short supply, no good purpose would be served by expanding bank loans to satisfy all demands. This would merely provide borrowers with the wherewithal to bid for scarce supplies of materials and labor with more dollars, lifting commodity prices and wages without adding to the volume of goods available.

The Outlook for the Economy

The prospect for the immediate future is that the basic current economic trends will persist. There is no evidence that business capital spending will be cut back materially within the next few months or so. Despite the shortage of funds, mortgage debt continues to mount. Potential expenditures for public works are very great. In addition, the world tensions are sure to induce even higher defense spending next year.

However, current conditions could be changed in time by any one of three developments, barring a major war or other similar international catastrophe. These are:

(1) A contraction of business plant and equipment spending, because many industries will find they are acquiring excess capacity, because profits fail to keep pace with expanding investment, or because financing of expansion becomes too dificult or burdensome.

(2) A sharp reduction in home building, because of rising construction costs and financing difficulties. This would lessen the supply of home mortgages and so relieve the shortage of savings by cutting back the chief single source of demand for borrowed funds, namely, home building.

(3) A further tightening of credit and rise of interest rates. This could discourage borrowing by business, mortgage borrowers and consumers, and so bring about an over-all reduction in demand that could result in a general economic recession.

Any of these developments, by causing a recession in a large part or all of the economy, would precipitate a prompt modification of Federal Reserve policy in the direction of easier money. This would mean a relaxation of the credit squeeze, a decline in interest rates and greater availability of funds.

Once the trend of the economy turns downward, however, past experience indicates that the recession could go considerably further and last longer than many anticipate at this time of booming business and prevalent optimism. A return to easy money may not suffice to check a recession this time, as it did in 1953 and 1954.

Contra-cyclical measures for coping with a business recession, with one notable exception, have been put to no real test. This noteworthy exception consists of the stimuli applied to home building to sustain employment and otherwise counteract a contraction of the economy.

So long as the Federal Reserve authorities deem it necessary to keep a tight rein on credit to resist inflationary hazards, it is reasonable to expect that other agencies will refrain from applying the special stimuli that would foster higher levels of home building, especially in view of the fact that a goodly share of savings are already institutionally committed to housing. In these circumstances we may anticipate that home building will become dominant again in the financial scene when cutbacks in plant and equipment spending make a high level of home building desirable to sustain prosperity.

The Pharmaceutical Industry

The financial scene today is one of a business capital spending boom and a severe credit squeeze. A cutback in business outlays for plant and equipment will follow sooner or later. The prospect of a business recession must be envisioned in the financial scene of tomorrow, together with measures that may be invoked to sustain prosperity or to prevent recession from turning into depression. Against this as a background, let us consider now the financial outlook for the pharmaceutical industry.

The pharmaceutical industry, experience has demonstrated repeatedly, is less affected by fluctuations in the general economy than most other industries. Internal competitive conditions in your industry and individual product developments often prove far more important than changes in over-all business activity in shaping the course of sales and profits of pharmaceutical manufacturers.

At the same time, it is well to remember that it is easier to expand sales and secure remunerative prices for your products when employment and personal incomes are high, and when people are not seeking to economize in their personal spending. Hence, should the current boom, sparked as it is by business plant and equipment spending, be followed after six months or a year by a recession caused by reduced expenditures upon plant or for home building, the pharmaceutical industry could be affected adversely.

Financing Expansion

A more immediate and pressing problem facing the pharmaceutical industry, like many others, is the extent to which plant and equipment expansion programs should be pushed at this time. According to McGraw-Hill, drug capital spending this year is scheduled to be 39% larger than in 1955, which exceeds the 30% increase in planned spending in 1956 for new plants and equipment for all business.

The industry is fortunate in that a considerable part of the outlays for future expansion takes the form of research and product development that can be charged off against current taxable income. In a period of high income taxation, this is a great advantage. The record has amply demonstrated that well planned and efficiently conducted research programs pay off very handsomely, and there is nothing in the outlook that calls for a contraction of such programs.

The case is not so clear for further plant and equipment expansion programs, particularly where there are doubts about the future demand for the products to be manufactured by these facilities.

Corporate profits in the aggregate this year are showing only a **small rise** over the 1955 total, despite the record volume of expenditures for plant and equipment expansion programs that have been carried out. This calls for a critical reconsideration of current spending programs especially in the industries where profits do not keep pace with expanding investment.

It may be that, confronted with rising wages and costs, and fearing less favorable tax treatment in the future, while recalling the favorable experience of those companies which have expanded capacity in the past decade and a half, some business managements are being stampeded into embarking upon ambitious expansion programs without full consideration of the difficulties or pitfalls. Projections of sales and profits based upon the expansion plans of one company may not be realized where the other companies in the industry have ambitious expansion plans of their own. Realization of a number of expansion programs together could result in saturation of markets and overproduction.

Even more questionable is the adoption of expansion programs without giving adequate thought to the difficulties and increased cost of financing under existing conditions. There is reason to believe that financing difficulties are being given too little weight in some instances. Borrowings of 25 representative member companies of the pharmaceutical association increased from $680 million to $747 million during 1955, and a much sharper increase is likely this year. Yet these 25 companies had a combined liquidity ratio, of cash and marketable securities to current liabilities, of 94% at the end of 1955, down from 105% at the end of 1954. The liquidity ratio is probably materially lower today.

The stark fact is that all the demands currently being made upon the capital market simply cannot be satisfied. Unless aggregate borrowing requirements are reduced, the credit stringency could become more acute and interest rates could advance still further. This could make it necessary for a growing number of companies, particularly the smaller concerns and others whose credit is not the strongest, to accept burdensome terms of financing, or to impair their liquidity to a dangerous extent by using up liquid resources on hand.

A Time to Stop, Look and Listen

The prophecies of gloom that have been uttered in recent years have so far proved exaggerated or unjustified. The American economy has proved remarkably strong and robust. But every economy, however strong for the long run, is exposed to periods of recession and readjustment where maladjustments or strains develop.

The effort to effect a volume of investment that is far in excess of the volume of savings available to finance it, and the determination of the banking authorities to prevent an inflationary expansion of bank credit to fill the savings gap that has made its appearance in consequence, reflect maladjustments and give rise to strains that are now manifested by a severe credit stringency and rising interest rates. Unless these maladjustments are corrected, the credit stringency could become even more severe. The mere prospect of such a development clouds the intermediate outlook both for the economy as a whole and for individual industries that are counting upon steady gain in sales and profits, including such well-situated industries as pharmaceutical manufacturing which would be affected to only a limited extent by a business recession.

The need is essential for managements to reconsider their individual company plant and equipment expansion programs in view of the clouds on the economic horizon and of the prospect that industry profits may not keep pace with expanding investment. Moreover there should be a full realization that financing of such programs could become even more difficult, costly and burdensome in the period directly ahead.

If the current boom in business capital spending is going to reach its culmination and be followed by a contraction in the coming year or so, there is a case to be made for a company's reconsidering its plant expansion program so as to spread the outlays over a longer period. In that event, it is quite possible that business financing may be effected more readily and on considerably more advantageous terms. Furthermore, expansion of investment will be kept more in line with the trend of profits. Finally the cost of acquisition of the new capacity may be lower than anticipated because competition for scarce labor and equipment will become less acute once business generally cuts back its capital expenditures.

This is a time for business management to **stop, look and listen.** It is a time to reconsider new plant and equipment programs, particularly where they require outside financing, in the light of the uncertainties on the economic horizon. It is not a time to proceed with expansion programs mainly because competitors and so many other corporations are doing so.

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. 30	§96.3	*102.6	101.1	95.7
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 30	§2,370,000	*2,525,000	2,489,000	2,309,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 14	7,355,150	7,353,200	7,164,750	6,945,800
Crude runs to stills—daily average (bbls.)	Dec. 14	¶8,000,000	7,865,000	7,965,000	7,684,000
Gasoline output (bbls.)	Dec. 14	27,066,000	27,237,000	26,483,000	27,069,000
Kerosene output (bbls.)	Dec. 14	2,418,000	2,885,000	2,619,000	2,428,000
Distillate fuel oil output (bbls.)	Dec. 14	13,602,000	13,198,000	12,163,000	12,077,000
Residual fuel oil output (bbls.)	Dec. 14	8,360,000	8,360,000	7,891,000	8,623,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 14	177,037,000	175,427,000	172,739,000	160,406,000
Kerosene (bbls.) at	Dec. 14	32,418,000	33,111,000	35,978,000	29,909,000
Distillate fuel oil (bbls.) at	Dec. 14	139,610,000	145,550,000	160,460,000	126,040,000
Residual fuel oil (bbls.) at	Dec. 14	43,145,000	*43,755,000	46,768,000	40,935,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 15	716,652	737,757	763,876	709,132
Revenue freight received from connections (no. of cars)	Dec. 15	663,706	664,223	651,865	662,463
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 20	$456,571,000	$528,078,000	$357,600,000	$458,354,000
Private construction	Dec. 20	310,067,000	372,307,000	249,851,000	260,761,000
Public construction	Dec. 20	146,504,000	155,771,000	107,749,000	197,593,000
State and municipal	Dec. 20	115,082,000	122,812,000	90,228,000	162,495,000
Federal	Dec. 20	31,422,000	32,959,000	17,521,000	35,098,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 15	10,660,000	*10,640,000	10,420,000	10,686,000
Pennsylvania anthracite (tons)	Dec. 15	628,000	609,000	640,000	614,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 15	260	*227	151	255
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 22	**12,225,000	12,220,000	11,439,000	11,614,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 20	214	249	207	181
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 18	5.622c	5.622c	5.622c	5.174c
Pig iron (per gross ton)	Dec. 18	$63.04	$63.04	$63.04	$59.09
Scrap steel (per gross ton)	Dec. 18	$64.50	$65.17	$61.33	$52.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 19	35.700c	35.700c	35.700c	43.400c
Export refinery at	Dec. 19	33.625c	34.250c	34.500c	45.400c
Lead (New York) at	Dec. 19	16.000c	16.000c	16.000c	15.500c
Lead (St. Louis) at	Dec. 19	15.800c	15.800c	15.800c	15.300c
‡Zinc (delivered) at	Dec. 19	14.000c	14.000c	14.000c	13.500c
Zinc (East St. Louis) at	Dec. 19	13.500c	13.500c	13.500c	13.000c
Aluminum (primary pig, 99%) at	Dec. 19	25.000c	25.000c	25.000c	Not Avail.
Straits tin (New York) at	Dec. 19	102.750c	104.250c	110.250c	109.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 21	88.11	87.31	89.96	94.95
Average corporate	Dec. 21	95.92	96.07	97.16	106.92
Aaa	Dec. 21	99.52	99.84	100.65	110.34
Aa	Dec. 21	98.09	98.09	99.20	108.88
A	Dec. 21	96.23	96.23	97.31	106.92
Baa	Dec. 21	90.34	90.48	92.06	102.13
Railroad Group	Dec. 21	94.56	94.86	95.16	105.34
Public Utilities Group	Dec. 21	97.00	97.16	98.09	107.27
Industrials Group	Dec. 21	96.38	96.38	98.25	108.34
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 21	3.48	3.52	3.32	2.88
Average corporate	Dec. 21	4.01	4.00	3.93	3.34
Aaa	Dec. 21	3.78	3.76	3.71	3.15
Aa	Dec. 21	3.87	3.87	3.80	3.23
A	Dec. 21	3.99	3.99	3.92	3.34
Baa	Dec. 21	4.39	4.38	4.27	3.62
Railroad Group	Dec. 21	4.10	4.08	4.06	3.43
Public Utilities Group	Dec. 21	3.94	3.93	3.87	3.32
Industrials Group	Dec. 21	3.98	3.98	3.86	3.26
MOODY'S COMMODITY INDEX	Dec. 21	441.0	440.0	431.7	399.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 15	249,212	327,486	231,330	229,795
Production (tons)	Dec. 15	281,309	275,418	278,966	296,461
Percentage of activity	Dec. 15	95	95	94	102
Unfilled orders (tons) at end of period	Dec. 15	416,158	451,288	428,989	568,726
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Dec. 21	110.13	109.62	109.60	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	Dec. 1	1,303,670	1,119,047	1,333,750	1,165,095
Dollar value	Dec. 1	$68,215,531	$58,844,058	$70,848,894	$62,405,915
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 1	974,831	825,727	904,997	1,037,134
Customers' short sales	Dec. 1	13,149	11,372	5,573	7,105
Customers' other sales	Dec. 1	961,682	814,355	899,422	1,030,029
Dollar value	Dec. 1	$46,675,229	$42,504,110	$45,119,535	$50,486,408
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 1	236,820	181,420	216,350	319,360
Short sales	Dec. 1	------	------	------	------
Other sales	Dec. 1	236,820	181,420	216,350	319,360
Round-lot purchases by dealers—					
Number of shares	Dec. 1	557,640	466,070	640,970	444,480
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	Dec. 1	666,510	517,230	531,320	520,830
Other sales	Dec. 1	11,230,140	9,522,850	10,505,330	12,757,820
Total sales	Dec. 1	11,896,650	10,040,080	11,036,650	13,278,650
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 1	1,640,480	1,276,540	1,601,160	1,636,070
Short sales	Dec. 1	320,020	272,520	297,610	232,210
Other sales	Dec. 1	1,236,870	969,040	1,414,970	1,347,320
Total sales	Dec. 1	1,556,890	1,241,560	1,712,580	1,579,530
Other transactions initiated on the floor—					
Total purchases	Dec. 1	323,200	243,990	333,150	432,100
Short sales	Dec. 1	58,600	20,600	45,500	33,920
Other sales	Dec. 1	278,980	207,370	399,360	366,430
Total sales	Dec. 1	337,580	227,970	444,860	400,350
Other transactions initiated off the floor—					
Total purchases	Dec. 1	516,236	362,960	458,885	733,077
Short sales	Dec. 1	99,320	69,100	87,480	119,960
Other sales	Dec. 1	613,648	413,258	570,979	635,888
Total sales	Dec. 1	712,968	482,358	658,459	755,848
Total round-lot transactions for account of members—					
Total purchases	Dec. 1	2,479,916	1,883,490	2,413,195	2,801,247
Short sales	Dec. 1	477,940	362,220	430,590	386,090
Other sales	Dec. 1	2,129,498	1,589,668	2,385,309	2,349,638
Total sales	Dec. 1	2,607,438	1,951,888	2,815,899	2,735,728
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Dec. 18	116.1	116.2	115.7	111.2
Farm products	Dec. 18	87.7	*88.6	87.8	84.5
Processed foods	Dec. 18	102.8	*103.0	103.3	97.7
Meats	Dec. 18	78.4	*79.5	80.6	70.4
All commodities other than farm and foods	Dec. 18	124.7	*124.6	124.0	119.5

*Revised figure. ¶Includes 979,000 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. **Estimated figure.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Nov. 30:			
Imports	$277,461,000	$276,642,000	$258,502,000
Exports	295,077,000	281,130,000	204,971,000
Domestic shipments	15,381,000	13,833,000	8,886,000
Domestic warehouse credits	183,954,000	119,436,000	63,835,000
Dollar exchange	9,700,000	19,175,000	20,024,000
Based on goods stored and shipped between foreign countries	142,870,000	132,602,000	85,508,000
Total	$924,443,000	$842,818,000	$641,526,000
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of November:			
Manufacturing number	166	198	196
Wholesale number	94	112	84
Retail number	482	584	462
Construction number	171	182	133
Commercial service number	86	82	70
Total number	999	1,158	945
Manufacturers' liabilities	$11,714,000	$17,345,000	$14,106,000
Wholesale liabilities	3,743,000	5,517,000	5,068,000
Retail liabilities	11,476,000	12,368,000	12,626,000
Construction liabilities	11,099,000	11,145,000	9,744,000
Commercial service liabilities	1,854,000	3,629,000	1,239,000
Total liabilities	$39,886,000	$50,004,000	$42,783,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of November	9,749	11,546	10,157
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of Nov. 30 (000's omitted)	$568,000	$573,000	$594,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE—U. S. DEPT. OF LABOR—Month of November:			
Weekly Earnings—			
All manufacturing	$82.42	*$82.21	$79.52
Durable goods	89.64	*89.23	85.69
Nondurable goods	72.71	*72.83	70.12
Hours—			
All manufacturing	40.6	*40.7	41.2
Durable goods	41.5	*41.5	41.8
Nondurable goods	39.3	*39.8	40.3
Hourly Earnings—			
All manufacturing	$2.03	$2.02	$1.93
Durable goods	2.16	2.15	2.05
Nondurable goods	1.85	*1.83	1.74
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of Nov.:			
Seasonally adjusted	147	*146	143
Unadjusted	149	150	145
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of October:			
Death benefits	$223,200,000	$171,800,000	$182,000,000
Matured endowments	57,700,000	45,900,000	51,500,000
Disability payments	9,900,000	8,800,000	8,900,000
Annuity payments	45,500,000	38,800,000	39,500,000
Surrender values	95,800,000	73,100,000	73,800,000
Policy dividends	84,500,000	86,600,000	69,600,000
Total	$516,600,000	$425,000,000	$425,300,000
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of November:			
Copper (per pound)—			
Domestic refinery	35.696c	38.623c	42.964c
Export refinery	34.465c	35.431c	43.860c
‡‡London, prompt	£280.455	£281.946	Not Avail.
‡‡London, 3-months	£281,727	£281.326	Not Avail.
Lead—			
Common, New York (per pound)	16.000c	16.000c	15.500c
Common, East St. Louis (per pound)	15.800c	15.800c	15.300c
‡‡Prompt, London (per long ton)	£118,369	£115,457	£108.165
††Three months, London (per long ton)	£116.955	£113.712	£107.781
Zinc (per pound)—East St. Louis	13.500c	13.500c	13.000c
§§Zinc, Prime Western, delivered (per pound)	14.000c	14.000c	13.500c
††Zinc, London, prompt (per long ton)	£100.767	£95.726	£92.432
††Zinc, London, three months (per long ton)	£96.761	£93.595	£91.401
Silver and Sterling Exchange—			
Silver, New York (per ounce)	91.375c	91.176c	91.461c
Silver, London (per ounce)	81.301d	79.935d	79.295d
Sterling Exchange (check)	$2.78246	$2.78457	$2.80145
Tin, New York Straits	110.630c	105.764c	97.804c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$255.000	$254.769	$279.390
¶Antimony, New York boxed	36.470c	36.470c	36.470c
Antimony (per pound), bulk Laredo	33.000c	33.000c	33.000c
Antimony (per pound), boxed Laredo	33.500c	33.500c	33.500c
Platinum, refined (per ounce)	$104.000	$104.000	$101.570
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.70000
§Cadmium (per pound)	$1.70000	$1.70000	$1.70000
Cobalt, 97% grade	$2.60000	$2.60000	$2.60000
Aluminum, 99% grade ingot weighted average (per pound)	27.100c	27.100c	24.400c
Aluminum, 99% grade primary pig	25.000c	25.000c	Not Avail.
Magnesium ingot (per pound)	35.250c	35.250c	32.500c
**Nickel	64.500c	64.500c	64.500c
Bismuth (per pound)	$2.25	$2.25	$2.25
NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.—Month of Nov.:	£28,472,000	£51,033,000	£53,680,000
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of November:			
Net sales	------	------	------
Net purchases	$83,931,350	$56,176,500	$7,893,500
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of Oct. (000's omitted):			
Exports	1,644,000	1,518,000	1,396,100
Imports	1,120,000	992,700	1,010,700
ZINC OXIDE (BUREAU OF MINES)—Month of October:			
Production (short tons)	17,144	15,067	18,586
Shipments (short tons)	16,011	16,550	16,606
Stocks at end of month (short tons)	19,203	18,070	19,946

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne, U. S. duty included. ‡‡Average of daily mean and bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from East St. Louis exceeds 0.5c.

Continued from page 2

The Security I Like Best

space for the manufacture and distribution of Purex's other products. There is also space on the 11-acre tract on which the Bristol plant is located for future expansion. In exchange for 136,000 shares (with a market value of about $2,720,000 at the time of the transaction) Purex acquired: (1) Manhattan's assets with a book value of $1,146,000 (and worth considerably more in terms of replacement value); (2) a tax loss carry-forward of $1 million; (3) good will, etc., of "Sweetheart Soap" and other products, based on some $35 million in advertising during the last 10 years. We would guess that this will prove to be a profitable transaction for Purex.

Through improvements in manufacturing techniques at the Manhattan plant and re-scheduling of production runs, together with reduced warehousing and freight costs, economies running into seven figures are anticipated. According to early estimates, annual savings of some $1.5 million, or almost 90c a share after taxes, were considered ultimately possible and these estimates have since been revised upwards.

The aforementioned benefits of the company's acquisition program are obviously of major proportions and, as indicated, they promise serious gains in earnings. A strategic consequence, moreover, has yet to be mentioned—the vastly expanded advertising and promotion, the lifeblood of the cleaning agent field, which is now possible.

From a chemical viewpoint there is, as we know, no spectacular difference among the various brands of soap, detergents, etc., available to the consumer. Advertising, however, creates consumer preference for one brand of soap as against another ("Love That Soap!") and, put mildly, advertising therefore plays a key role in the industry.

Largely by virtue of its acquisitions the company now markets products throughout the United States, as well as various foreign countries. With this newly-acquired broad market, Purex for the time finds it practical to advertise through the popular national magazines and TV and radio programs on national networks—the heavy artillery of modern sales promotion and usually considered vital for merchandising success.

The use of these national media, of course, requires huge wherewithal—and this too has been provided through the company's acquisitions. In 1951 Purex's sales of under $20 million permitted advertising and promotion outlays of only $1.7 million. These outlays were just about doubled in the fiscal year ended May 31, 1956, when sales amounted to $34.9 million, and with sales now running at a $50 million annual level, promotional expenditures on the order of $6.5 million are likely to be made. Hence the company's sales volume should continue to show strong growth.

That the company's advertising dollar is being used to good effect is evident from the type of TV programs with which it has been connected. For over a year Purex has co-sponsored "The Big Surprice," the $100,000 television quiz program which has an audience of many millions and has been outstandingly successful in popularizing Purex lines. Last summer while "The Big Surprise" was on vacation the company sponsored or co-sponsored the "Ina Ray Hutton Show," "Festival of Stars," "Down You Go," "Tonight," and Arthur Godfrey — all of which enjoyed vast and faithful audiences on television or radio.

Purex's benign touch in sales promotion is well illustrated by "Old Dutch Cleanser." Virtually indispensable for generations of American housewives, "Old Dutch Cleanser" had begun to lose ground to less venerable rivals during the last few years prior to its purchase by Purex in May, 1955. (This circumstance, incidentally, probably explains the very reasonable price Purex had to pay for Old Dutch Cleanser.) During the first year under Purex's ownership, however, Old Dutch Cleanser's decline was not merely arrested but actually reversed to the tune of a startling 121% gain in sales. While a combination of factors, including changes in formulation and packaging, was admittedly responsible for this achievement, the intensified, telling advertising by Purex undoubtedly played the principal role.

A similar experience is anticipated with respect to Manhattan Soap. Here again in Manhattan's "Sweetheart" toilet soap Purex acquired a distinguished old trade name which in recent years had fallen behind somewhat in the competitive battle. (This company too appears to have been purchased relatively cheaply because of this weakness.) Under the skilled guidance and stepped-up promotion being offered by Purex, "Sweetheart" should regain its former outstanding position in the toilet soap field. And, being considerably bigger than "Old Dutch Cleanser," "Sweetheart" should reward Purex stockholders even more.

Adding no little glamour to Purex's longer term possibilities is the company's farsighted research program. A qualified staff of 40 chemists and technicians devote full time to the improvement of existing products and manufacturing processes, and the development of new ones. Then there is a sizable staff concerning itself with market research. As Adrien C. Pelletier, Chairman of the Board and President of Purex, has phrased it: "We probably spend more money on laboratory and consumer research than any other company our size in this field, but . . . it is the only way that Purex can keep in the race for consumer preferment. We are unrelenting in our search for better quality at lower cost."

The company's capitalization consists of $6 million of long-term debt and approximately 790,335 shares of common stock (excluding 20,801 shares reserved under a management stock option plan). About 34% of the common shares are owned by Adrien C. Pelletier, Chairman of the Board and President of the company, and his family; 18% of the shares are held by O. M. Burke and family, who acquired the stock in exchange for their holdings in the Manhattan Soap Company.

Reported earnings per share have risen from 93c five years ago to $1.59 for the fiscal year ended June 30, 1956. While this increase of 71% is impressive, even greater progress is anticipated in the future. Giving effect to the various basic improvements discussed above, earnings of about $2.40 a share are expected in the fiscal year ended June 30, 1957 (after Manhattan Soap's tax loss carry-over of $1 million) and by fiscal 1957-58 net earnings should approximate $3 a share.

Dividends have been gradually increased over the past half-decade from 60c to the current annual rate of 80c a share. In addition, the company recently instituted a policy of distributing stock dividends with a declaration of a 3% payment.

As a growth stock with excellent prospects in a relatively stable industry and providing a generous yield of well over 4% on a well-protected dividend, Purex represents one of the most interesting equities available to the investor today.

Business Man's Bookshelf

Credit Executives Outlook for 1957 Report—Credit Research Foundation, 229 Fourth Avenue, New York 3, N. Y. (paper), 75¢.

Facing the Issue of Income Tax Discrimination—National Association of Manufacturers, 2 East 48th Street, New York 17, N. Y. (paper).

Facts About North Carolina—State Advertising Division, Department of Conservation & Development, Raleigh, N. C. (paper).

Location and Space Economy—Walter Isard—John Wiley & Sons, Inc., 44 Fourth Avenue, New York 16, N. Y., $8.75.

Personalized Service—Describing services available from Dept. of Commerce — New York State Department of Commerce, 112 State Street, Albany, N. Y. (paper).

Perspective on Gold — National Association of Manufacturers, 2 East 48th Street, New York 7, N. Y. (paper), 25¢.

Present Day Banking 1957—Forty Condensed Theses — American Bankers Association, 12 East 36th Street, New York 16, N. Y. —available to member banks for $6—Circulation Department, "Banking" Magazine, 12 East 36th Street, New York 16, N. Y.

Principles of Laboratory Temperature Control, Electronic Relays, Thermistor Operated Temperature Control — C. M. Proctor, OTS, U. S. Department of Commerce, Washington 25, D. C. $1.50.

Quality Control Procedures for Monitoring Psychological Testing—R. G. Smith, Jr., and D. B. Gragg, OTS, U. S. Department of Commerce, Washington 25, D. C., 50¢.

Tuberculosis in New York City, 1955 — New York Tuberculosis and Health Association, Inc., 386 Fourth Avenue, New York 16, N. Y.

United Nations and Dependent Peoples — Emil J. Sady — The Brookings Institution, Washington 6, D. C. (paper), $1.50.

Opportunities in Industry as a Skilled Craftsman — National Association of Manufacturers, 2 East 48th Street, New York 17, N. Y. (paper).

Regulations Relating to Foreign Funds Control in the United States (Supplement 14)—Bank for International Settlements, Monetary and Economic Department, Basle, Switzerland (paper).

Reynolds Manager

SANTA CRUZ, Calif. — Oliver W. Aubrey has been appointed Manager of the Santa Cruz office of Reynolds & Co., 1316 Pacific Avenue.

Walton T. Hildebrand, his predecessor, will be transferred as a registered representative to the San Francisco office.

B. Burnett Carson

B. Burnett Carson of Carmichael & Carson passed away December 17th.

Montgomery, Scott Adds J. S. Disston, III

PHILADELPHIA, Pa. — Montgomery, Scott & Co., 123 South Broad Street, members of the New York Stock Exchange and other leading exchanges, announce that Jacob S. Disston, 3rd., has become associated with their Philadelphia office as a registered representative. Prior to joining Montgomery, Scott & Co., Mr. Disston was associated with Henry Disston & Sons Co.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Barring unexpected developments, the session of Congress which is scheduled to get under way just one week from now is likely to be one in which there will be a great deal of noise and only a minimum of legislative action.

There are three uncertainties which cannot at present be evaluated.

One of these is the possibility of war. The initiative for war obviously will not come from the Eisenhower Administration. Its policy is peace at any price, and it is a policy which has been affirmed repeatedly.

It is this very peace at any price policy, however, which has many thoughtful men on the Hill and at the Pentagon worried. They fear that war might arise because the Comrades will become so confident of their immunity from punishment that they may be tempted to go so far as to inflame American public opinion. It is believed that despite their troubles on their own defense perimeter, the Reds are not going to pass up readily any opportunity which might open up to get a military foothold in the Middle East, which strategists see as the beginning of the end for the Western World.

Military men, of course, do not dare to express such apprehensions. The thoughtful men on the Hill also are hesitant to do so because they can do little to change a national mood of determined pacificism and would only get themselves ridiculed as a consequence.

Reaction To "Collective" Security

Another uncertainty is what the members of Congress will construe as the national reaction to the mythology of the "United" Nations and "collective" security as a consequence of events of recent months.

Most hard-headed observers would have the gravest misgivings about resting American defense upon a NATO arrangement when one of the partners thereto, Great Britain, was thrown into an economic tailspin as a consequence of its materially modest adventure in invading Egypt. Such observers would also question the validity of the U. N. dream when Russia in Hungary as Red China in Korea, have demonstrated the impotence of the mythology toward big-scale aggression.

In general, there is little reason to anticipate from Congress a determined effort to educate the American people to the hard realities of an insecure world environment. Certainly the Democrats as a party are handicapped because they originated the concept of securing peace via the worldwide dispensing of Universal Ointment (i.e., U. S.$).

It is possible, however, that a vigorous leader might come forward and, by force of logic and persistence, provide a different leadership, although few would now bet a plugged farthing thereon.

Reaction to Eisenhower

A third uncertainty is how the members of Congress will react to the tremendous personal election victory of President Eisenhower. This is something which cannot be nailed down until the boys have returned and chatted privately in the lobbies of the Capitol.

It might be presumed that packing such a wallop as he did, Eisenhower's prestige will restrain Democratic opposition. It might also restrain the latent conservatism of the majority of the Republican members. On the other hand, since Eisenhower by and large did not carry 200 percenters into office with him into Congress or cause the downfall of the black, reactionary believers in the constitutional system and nationalism, it is not beyond the possibilities that some of the Republicans might just come back with a determination to express their views about the direction the Republican party should take and oppose the expressed determination of Mr. Eisenhower to make that party THE vehicle for the welfare state.

Assumption No War

If there is to be war, of course, the picture is revolutionized. The Congress will be torn with a heart-rending problem of trying to ration materials, credit, and all the good things of life, and attemptingly ineffective price and so-called wage controls to stem the tide of inflation, already so rampant.

In case of war, the national drive to filch the nation's savings and the income of the middle and upper classes for further extensions of the welfare state, obviously will be tossed aside for the duration.

Without war, however, the assumption can be that the situation will take up Jan. 3 about where it left off with the ending of the last session of the 84th Congress.

Leadership Problem

Democrats will start out looking the more silly and leaderless because the party's left wing, certain that even moderate temperance lost them the election, were disposed to attempt to nail securely the policy of the Aggressive Left.

In the course of 1957's history, however, this will be a minor episode. The immediate drive for a killing of the filibuster will fail, for the filibuster has from time immemorial been the sacred weapon of the "liberals." The Democratic National Committee leadership's drive to try to horn in on the policy-making of the Congressional Democratic leaders is already a demonstrated flop.

Senator Lyndon Johnson in the "upper" chamber and Speaker Sam Rayburn in the House are going to control. And they are going to play it by ear, feeling their way as they go along.

Republican Leadership

One thing appears somewhat more certain in the outlook since it was last appraised in this column after the election. Whether the "new Republican" oligarchy in the White House has come to accept Richard Nixon or whether the latter has shown his capacity to outsmart them, the prospect of an undercover war to oust Nixon from the succession seems to be dimmer.

Sherman Adams, the day-by-day *de facto* President, is understood to have come to feel that Mr. Nixon is a trustworthy man of "liberal" principles as well as a man of ability. Mr. Adams has come to feel secure, and has traded in his 1953 Cadillac for a new one.

No Pressure

There is no doubt that Mr. Eisenhower has come to consider that his niche in history is to make the Republican party look much the same as the New Deal Democratic party. On the other hand, the President will not be under much compulsion to achieve legislative results. That is because 1957 is not a Congressional election year.

On the other hand, come 1958, Mr. Eisenhower for the first time since 1953 will be definitely interested in getting his kind of a "Republican" Congress, for since he cannot himself again come up for election, his ego and his niche in history will be supported only to the extent that the voters elect "modern Republicans." Heretofore, the President has concentrated on the weird notion of being a non-partisan and a sort of well-meaning Big Brother to all. So there won't be much real heat for legislative action in 1957 but there well may be in 1958.

Specific Issues

Among the specific issues, the one which is clearest is that there will be no important tax reduction and probably none of this business of shifting the surtax and normal corporation rates around on income below $25,000, for the sake of small business.

There has come to be an accepted dogma that with the withholding tax, tax relief rolls up only the smallest political mileage, and should be postponed until with a business setback and unemployment, the working stiffs can appreciate what it means to have money coming to them that otherwise would go to the Treasury.

Any notion that the government will have a substantial surplus is written off by thoughtful men. Such are Rep. Wilbur Mills and Senator Harry Byrd, the most effective voices on this issue among the Democrats. The idea of making a bid for netting income now subject to partial relief from depletion allowances and capital gains treatment is something which Wilbur Mills appears to have abandoned, for he, too, expressed himself as impressed with the magnitude of the problem of inflation.

Immigration Issue

All the customary panoply of welfare issues, more subsidies for farmers, for the health of the poor, for public education and health, will be up for consideration all the session of 1957, with indifferent legislative results. Aid to education is dependent upon the President dropping his idea of nicking the wealthier states to benefit out of proportion the poorer states.

The immigration issue may become real hot, soon. The President is committed to "liberalizing" the McCarran-Walter quota act. The visit of Vice-President Nixon to Austria and the grand sympathy over the plight of the comparative handful of Hungarians who escaped the Russian tyranny, may become the vehicle for a bitter and perhaps successful effort to break down the barriers to immigration.

[*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 don't care WHAT they do in movie balconies—the Stock Exchange balcony frowns on that stort of thing!"