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EDITORIAL

As We See It

"Foreseeable trends indicate that good times for the American people should continue through the entire twelve months with over-all employment, income and production higher than this 1956," according to the Secretary of Commerce who the other day in Washington issued a statement reviewing the year just past and taking a look at the future. He thinks that "in view of the economy's present high pace, the rate of expansion may not be so fast as now," but he is sure that "barring grave emergency, the economy as a whole should set new records." In a mood of self-gratulation the Secretary then adds that "confidence is strong. People are earning more and spending more, capital investment is at a high level." If this member of the Eisenhower team then gives large credit to the Administration for these blessings, no one is likely to condemn him for this bit of political strategy.

On the same day in another city Edwin G. Nourse, a former Chairman of the President's Council of Economic Advisers — and not a devotee of the New Deal or the Fair Deal, either — warns against "high-pressure economics." Unreachable goals, or goals set so high that they invite inflation and other evils are not wholesome, he insists. We, of course, have no way of knowing precisely to what the speaker was referring when he spoke of "high-pressure economics." He may or may not be disposed to object to the occasional official forecasts of greater and greater things to come, or to such exuberant statements as that of Secretary Weeks. There are, of course, many ways of placing the

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Outlook for Fiscal And Credit Policy

By ROY L. REIERSON*

Vice-President and Economist, Bankers Trust Company, New York

Wellknown banker-economist observes current business situation does not warrant, as yet, a basic credit policy change; believes authorities will not permit a "repetition of the near-demoralization in the Government securities market that developed in the second quarter of 1953"; and, after reviewing 1956 Treasury financing and debt management operations, and 1957 prospects, perceives no easier lot for the Treasury's fiscal-debt activities in the year ahead. Mr. Reierson comments on the larger injection of Federal Reserve credit, commencing last November, than that supplied in the corresponding period of 1955, and feasibility of bill rate fluctuating rather continuously above the discount rate.

The American economy is closing 1956 with production, industrial commodity prices, and incomes at new peaks. Gross national product will set a record of about $412 billion, some 5½% above 1955, but perhaps as much as one-half of this rise reflects higher prices. Increased investment spending, notably on business plant and equipment, gave major impetus to the boom in 1956 and capital outlays in the aggregate are still on the rise.

Roy L. Reierson

The Treasury in 1956 derived a benefit, on balance, from the inflationary environment through a large increase in tax receipts, which are close to $10 billion ahead of 1955, while outlays advanced by no more than about $2 billion. As a consequence, the Treasury's cash deposits in the calendar year 1956 exceeded cash withdrawals by as much as $7 billion; in 1955, in contrast, there had

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*An address by Mr. Reierson before the Annual Meeting of the American Finance Association, Cleveland, Dec. 29, 1956.

Stock Prices During Inflation

By JOHN M. TEMPLETON

Templeton, Dobbrow & Vance, Inc., Englewood, N. J.

Warning that loose thinking on the subject of inflation is a danger to sound investment management, recognized investment counselor emphasizes inflation is only one of many factors influencing stock prices, and illustrates this with charts showing significant disparities in cost of living price levels and stock price behavior, including natural resource stocks, both here and abroad. Mr. Templeton points out stock prices can decline during price inflation, inflationary trends are sometimes interrupted by deflation, and that drastic declines in stock prices can occur despite longer-range inflationary trends.

Recently there has been much talk in Wall Street to the effect that, although stock prices have tripled in the last seven years, there is no need for concern because of the prospect for further inflation. Such vague talk may give some investors a false sense of securitity. Another example of recent loose thinking is the idea that higher prices are likely for all stocks of companies owning natural resources because of the continuing inflation.

John M. Templeton

Ideas which grow popular, like these, do usually contain some truth. The "new era philosophy" of the late 1920's was based on the truth of population growth and America's unlimited future; but the truth of such trends was small consolation for those who held common stocks between September, 1929 and June, 1932. I am firmly convinced that inflation is a condition of our present society which probably will continue for a generation or more. In fact, throughout the history of the world, in every nation we have studied, there has been a tendency toward inflation in the long run. But these are the days when we should remember also two other facts. First stock prices can decline drastically even during periods of inflation. Second, long-term trends toward inflation are sometimes interrupted by temporary de-

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

HARRY D. MILLER
Partner, Nugent & Igoe, East Orange, N. J.
Members New York Stock Exchange

Texas Pacific Land Trust

The present market presents many uncertainties, and the bearish arguments are perhaps more convincing than those of the optimists. In my opinion, the one big factor which has prevented stocks from following the bear market in bonds is the fear of continuing inflation. Price-wage inflation seems with us to stay, and certainly any heavy recessionary tendencies would lead to bigger doses of inflation as the surest weapon to combat deflation.

Harry D. Miller

With this in mind, what better purchase is there than a pure inflation-type stock which is selling at an all-time low and approximately half its 1955 high? Texas Pacific Land Trust represents holdings of land and of oil royalties both classic examples of inflation hedges.

Outstanding capitalization, as of Dec. 31, 1955, was:

Ctfs. of Prop. Interest $100 Par	2,351
Ctfs. of Prop. Interest $1 Par	1,146,489
Total Both Classes	1,381,589

During 1956 the Trust has retired 27,500 sub-share certificates compared with 12,000 last year, leaving a total of both classes outstanding of 1,354,089. At the time of the spin-off of four shares of TXL Oil Corporation in December, 1954, the Trust retained the following:

Land (Surface rights only)	1,783,772.17 acres
Town Lots	1,382 lots

This gives the Trust surface rights on approximately 1.3 acres of land per share. Recently, the Trust sold some 35,000 acres in El Paso County — considered among the least desirable of their acreage for $7.50 an acre. Assuming a price of even $5 an acre for the entire acreage, this would be $8,935,820 for the land, or approximately $6.60 a share. In addition to this, the Trust retained $600,000 in cash and 1-128 perpetual royalty on 85,324.77 acres held by production and 1-16 on 386,928.16 acres which were held by delay rentals, that is leased but not in production.

As of Dec. 31, 1955, there were about 1,230 wells producing on this acreage and some 50 have been brought in this year, compared with 76 in 1955. Of the acreage held by the delay rentals, quite a large proportion is in areas where production has been found. A large tract is held in Culberson County (124,723), in the Delaware Basin, which has good future possibilities. In addition, the Trust derives about $160,000 a year from grazing leases, about 99% being leased for such purposes.

As of Oct. 7, cash on hand was about $860,000 invested in short term obligations. Of this, about $300,000 was set aside for income taxes.

An interesting feature of the acreage value is the phenomenal growth of Texas and some of its cities and towns. For instance El Paso, which is hemmed in by the Rio Grande and Mexico on the south and mountains to the north, has spread eastward and the city limits are now at one point only three miles from a large TPL holding of over 12,000 acres. It is quite conceivable that this land will be worth several hundred dollars per acre in the near future.

For the 10 months ending October 1956, gross receipts were about $197,000 over last year.

Summing Up	Valuation Per Share
Approx. value of land (At a minimal value of $5 per acre)	$6.60
Royalty Interest Capitalized at 10 times income Estimated $385,000 or $3,850,000	2.80
Cash on hand less income tax reserve of $560,000	.40
Total	$9.80

The above figures are, in my opinion, ultra conservative. Also no value is given to the huge royalty potential on the 386,928 acres held by delay rentals. Considering this, plus the dynamic growth of Texas, the constant retirement of certificates, and the ever present promise of further inflation, I know of no more certain vehicle for long term capital growth. The stock is listed on the N. Y. S. E. and is currently quoted at about $7 a share.

PAUL S. MORTON
Peter P. McDermott & Co., N. Y. C.
Members: N. Y. Stock Exchange

National Theatres, Inc.

It is difficult for a person employed in the securities business to write about a "Security I Like Best." There are to many to choose from and I think it would be more appropriate to write about a company I like and whose stock I feel could with a little patience prove profitable from a percentage point of view.

Paul S. Morton

National Theatres operates the second largest chain of motion picture theatres in the United States. Concentrated mainly in the mid-West and West Coast, National operates some 324 theatres (136 owned, and 188 leased) in 197 cities and in 20 states.

Previously controlled by Twentieth Century-Fox Film Corp., the company came into public ownership via the "spin off" route in September, 1952. Since the advent of television the motion picture industry has been in a prolonged and steady decline. As a result National Theatres' income from film exhibition has declined from $3.74 per share in 1947 to 63 cents per share for the fiscal year ending September, 1956. However, the sale and lease back of the Roxy Theatre and sale of other theatres and real estate resulted in a capital gain of $2,940,000 or $1.09 per share for a total net income of $1.72 per share for the year, and therein lies a tale.

National Theatres, Inc., has a capable management which is making every effort to halt the downward trend in earnings. Among other things they have sold and closed unprofitable theatres and converted others to income producing properties, such as parking lots, supermarkets, etc. The benefits from these actions are obviously two-fold. It is interesting to note that during 1955 National Theatres disposed of a number of unproductive theatres for approximately 34% more than the value carried on the company's books; during 1956 this figure was 43% in excess of the carried value. The parent company was reorganized in the early 1930's, land and property values since that time, needless to say, have increased many fold. The book value as of September, 1956, was $10.22 per share. For those who like to tinker with figures, try estimating the real value of the properties and add that to the book value.

The company's financial position is strong. (See accompanying table.)

As a means of diversification Mr. E. C. Rhoden, President, has indicated the company intends to purchase a profitable business outside the realm of the film industry.

The leaders of the theatre industry, who should know, claim the cause of the "Box Office" downswing is an insufficiency of good pictures. Personally, it is going to take more than just a good picture to move me from my comfortable armchair viewing my favorite television program. It is going to take a good picture "plus" an outstanding method of projection and reproduction of sound to motivate and reactivate my "movie night." Pictures such as Oklahoma and 80 Days Around the World, done in Todd-A.O. process, would do the trick.

National Theatres, according to the annual report, has acquired the world-wide exclusive rights to the Smith-Dieterich patents covering a new electronic lens system of camera and projection technique. The new audio-visual medium is called "Cinemiracle." Using three cameras which are synchronized and mounted in unison to photograph the image, the picture is finally projected from one central booth which holds three

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Pertinent Statistics

Fiscal Years Ending September—	1956	1955
Total income	$59,707,000	$61,692,000
Net income before Federal income taxes, minority interest and special item	4,387,000	5,792,000
Net income before special item	2,277,000	2,886,000
Per share	$0.84	$1.04
Net income and special item	4,648,000	2,886,000
Per share	$1.72	$1.04
Cash and U. S. Govt. securities	16,055,000	14,335,000
Working capital	9,453,000	5,864,000
Long-term debt due after one year	16,572,000	20,914,000
Capital stock and surplus	27,581,000	24,897,000
Book value of capital stock per share	$10.22	$8.99
Dividends paid per share	50c	50c
Shares of capital stock outstanding**	2,699,436	2,769,436
Number of operating theatres	324	336

**70,000 shares purchased during fiscal year.

The Sword of Damocles?

By BRADBURY K. THURLOW
Partner, Osborne & Thurlow
Members, N. Y. S. E. and American Stock Exchange

Security analyst concludes credit restraint policy via higher interest rates is fraught with serious inflationary implications in view of $56 billion of government redeemable debt held by individuals, who may decide to shift into higher yielding outlets and confront the Treasury with a major problem of raising funds from the public without resorting to direct and violent inflationary measures. Mr. Thurlow believes, under today's conditions, that increased costs induces increased demand and, thus, "one might argue that the Federal Reserve has actually increased rather than restrained the demand for money. . . ."

Talk to almost any economic "classicist" and he will tell you that rising interest rates are deflationary and should in the long run exert downward pressure on stock and commodity prices. The Federal Reserve Board obviously believes this and most investors, whatever their inner misgivings on the subject, would be slow to challenge a concept which is accepted as dogmatically in our age as was the prevalence of witches and the prescience of oracles in earlier times. There is, however, strong evidence that the whole concept may prove mistaken. Whatever one's preconceived ideas may be on this subject, this evidence deserves serious and dispassionate consideration.

B. K. Thurlow

First let us review briefly and in general terms what has been done and how it has succeeded to date.

In early 1955 the Federal Reserve Board, disturbed by increasing evidences of inflation in the growth of consumer debt and accelerating corporate expansion via borrowed money, decided to make money more difficult and more expensive to borrow. Since then the rediscount rate has doubled (1½% to 3%), the yield on Treasury Bills has tripled, and at least for the small borrower, money has become almost impossible to find at any price. If we look at the trends of borrowing, however, we see that instalment credit, now at over $31 billion, has increased about 35% since the beginning of 1955 and over 10% during the past 12 months. Mortgage loans on one to four family properties, at about $97 billion, are still rising at a near record rate of about $11 billion annually. Business expenditures on new plant and equipment in 1955 rose about 5½% over 1954. For 1956 the rise is about 16½% to over $34 billion, and preliminary estimates call for another 11% increase in 1957. New financing by common stock issues has fallen by almost a third (to about $1.6 billion estimated) since 1955, while bond financing in the first nine months of 1956 (about $6 billion) is about 22% above the comparable period in 1955 and 8% below the first three-quarters of 1954. Bank loans (last reported in June 1956 at about $34 billion) rose about 10% in the first six months of last year after a rise of around 25% in 1955. Business loans for the first nine months of 1956 increased $4.2 billion compared with $3.6 billion in the corresponding period of 1955.

Paradox of Tight Money

One may well ask whether the policy of making money more expensive has reduced demand or has brought about the results the Federal Reserve was hoping for. I believe it is axiomatic under today's conditions (although not widely accepted in orthodox economic circles) that an increase in the cost of something brings about an increase in demand, particularly if those responsible for the demand believe the cost is likely to increase further. Thus, if one knows that something he must have will cost more six months from now than it does today, he will anticipate his needs. When businesses en masse anticipate their needs, the needs themselves start to increase, at least in appearance, and one has a boom or inflation (or whatever else one will call it). Herein one might argue that the Federal Reserve has actually increased rather than restrained the demand for money, but this is beside the point of my main argument.

Having demonstrated at least ineffectiveness in the accomplishment of its monetary objectives to date, is it possible that the Federal Reserve has committed a far more serious (if yet undiscovered)

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Growing Boeing

By IRA U. COBLEIGH

Enterprise Economist

The biggest aircraft manufacturer in America gets bigger as its earnings' outlook gets brighter.

It takes a whole lot of much faster, bigger and sturdier flying things than the Dove of Peace to keep said bird alive and volant. Things such as B-47's, B-52's and guided missiles, much as they contrast, in design and purpose, with the celebrated celestial carrier of the olive branch, are still that bird's best friend. So if a dove happens to flap into a brokerage office to order a few shares of Boeing, you must understand it may not only be exercising prudent investment judgment, but giving attention to a matter of life and death.

Ira U. Cobleigh

With this bird's-eye introduction to our topic for today, we'd like to paint a brief, albeit sketchy, portrait in financial prose, of Boeing Airplane Company. Now in its 41st year, Boeing is not only the largest aircraft maker in the world, but has arrived at that status by dedication to the development and production of larger type transport planes for both military and commercial flight. Its backlog of orders today is a staggering $3 billion, up from $2½ billion at April 1, 1956.

Before looking at future elements of production and profitability, some reminder of earlier Boeing prowess and prestige may be in order. The B-29 or Flying Fortress was our most renowned strategic bombardment aircraft in World War II. Out of that model grew the B-47, work horse of the Strategic Air Command in the field of medium bombers, and principal present toter of atomic bombs. But of all our technologies, aviation stands still the least, and the B-47 is already moving toward termination of its production, giving place to another Boeing leader, the B-52, a Stratofortress powered by eight jet engines. This B-52 represents the largest single model aircraft production program ever undertaken in the U. S. Current deliveries of about seven units a month are expected to treble by mid-1958. Present schedules project the delivery of 600 B-52's by 1959.

Just as the B-47 has been outmoded, so has the piston-engined KC-97 Stratofreighter (both a transport tanker useful for refueling in flight, and a cargo plane) been displaced by the newer jet propelled KC-135, chosen as the standard Air Force jet tanker. The first unit of this model came off the line in July of 1956, and plans now call for delivery of 400 of these by 1959. Not only that, but a commercial type adaptation of the KC-135 (also propelled by J-57 jet engines), the 707 Stratoliner, is being exceedingly well received by major air lines. This swift super transport will cost about $5 million. One hundred and thirty-six Stratoliners are already on order, for delivery late in 1958 to eminent clients, including Pan American World Airways, American Air Lines and Trans-World Air Lines. Further variations of this basic KC-135 design include a model powered by turbojets, which Braniff has ordered for 1959 delivery; and the International, believed to represent the longest range and largest capacity commercial transport jet developed. All this suggests a broader diversity of future Boeing sales, which, in recent years, have been almost entirely to the military.

Then, of course, major aircraft companies today are all intensely interested in missiles. Boeing is no exception. It has developed for the Air Force an anti-aircraft guided missile, the IM-99 Bomarc. It's a supersonic ram jet sort of rocket believed to be remarkably accurate within a range of several hundred miles. The design and testing stage of Bomarc is now pretty well along but actual volume production is still many months away.

Here, then, in general, is the product program of this renowned air frame manufacturer. As you can readily perceive, the company has, for many months, been in rather of a period of transition—phasing out of production in passe models, and upcurving production in the newer and more functional craft. As a result of this manufacturing transition, sales, which exceeded $1 billion in 1954, fell back to $850 million for 1955. (The decline in net profits was only about 5%, however.) For 1956, it looks as though sales will recross the $1 billion mark, and probably set a new record of gross earnings. For 1957, we should expect sales to top $1½ billion, assuming full scale production targets of the B-52 and the KC-135 (and variations of it) are attained.

All the foregoing is, of course, of intense interest to shareholders, present and prospective. Long-term stockholders in Boeing have come off very well indeed. General policy in past years has been to distribute about one-third of net in cash dividends. There was also a two-for-one stock split on Aug. 6, this year, and a 2% stock dividend, payable Dec. 17, 1956. Regular cash dividend of $1 is handsomely covered by a per share net, which should exceed $5.30 this year, and possibly move up to around $7.50 for 1957. Those who might regard the current cash payout as a bit on the meager side should take note that very substantial retention of earnings is required to finance the present expansion program which, in the three-year period, 1956-1958, is expected to call for a total outlay of $100 million. On completion of this plant addition and improvement, a new and higher level of earning power seems quite predictable; and patient shareholders may well benefit quite handsomely in the long run, from this current frugality in cash distribution. There are 6,666,688 common shares of Boeing common listed N. Y. S. E. The price range for 1956 was between 45⅜ and 65⅜ with current quotation around 61. At this price the shares sell at about 11 times indicated earnings. If per share net as high as $7.50 should be realized a year hence, and the 11-times multiple continued, you might conjecture a Dec. 31, 1957 share market price of 82½; but this is pure crystal gazing.

The favorable consideration of any aircraft equity at this market stage depends on your viewpoint. With an enlarged Federal expenditure for military account definitely projected in the next 12 months; with a huge sum—$8¼ billion — earmarked for aircraft and missile expenditure for the fiscal year ending June 30, 1957; with vast provisions for naval and military aircraft procurement running years into the future, a bearish viewpoint about aircraft equities seems most illogical. Whereas many industrial companies can perceive only slight hopes of larger earnings and higher dividends for 1957, the outlook for major aircraft manufacturers is indeed bright; and few can offer a vista of financial growth in 1957 more attractive than that of Boeing.

Whether we like it or not, our Federal budget, postwar and for years ahead, has been characterized by heavy military expenditures; and unfortunately, the dawn of the New Year brings us no nearer to peace than two or five years ago. Thus our best hope for peace is still military might; both to discourage aggression, and assure retaliation. Without aircraft and missiles, we cannot possibly achieve those objectives. With aerial prepotence, however, we may. So Happy New Year, and keep 'em flying — the Dove of Peace, aided and abetted by bombers and missiles, many of them by Boeing.

Joins Sutro Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—William M. Friede is now connected with Sutro & Co., 460 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges. He was formerly with Reynolds & Co.

A. J. Bellizzi Rejoins Staff of Walston Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — A. Joseph Bellizzi has rejoined the staff of Walston & Co., Inc., 265 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges. Mr. Bellizzi has recently been with J. S. Strauss & Co.

Craigmyle, Pinney Branch

DELRAY BEACH, Fla.—Craigmyle, Pinney & Co. has opened a branch office at 704 East Atlantic Avenue under the direction of Roger E. Montgomery. Stephen J. Sanford is associated with the new office as analyst.

The State of Trade and Industry

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

As a consequence of many factory closings and reduced output schedules for the Christmas holiday, over-all industrial production for the period ended on Wednesday of last week, was at a moderately reduced level, but it was at the same time, well above that of the like week a year ago.

With respect to unemployment in the latest week, it was reported that initial claims for unemployment insurance declined 2%, but exceeded those of last year by 9%.

Claims for unemployment insurance by newly laid-off workers rose more than 24,000 to about 288,800 during the week ended Dec. 22, according to the Bureau of Employment Security.

This was about 7,000 above the corresponding week of 1955, when the total was slightly over 282,000.

At the same time, the Bureau said the number of workers already drawing unemployment insurance under Federal and state programs increased by about 60,300 to 1,222,000 during the week ended Dec. 15. The total for the like week a year ago was about 1,089,000.

In the steel industry this week, "The Iron Age," national metalworking weekly, reports that steel will be hard-pressed to keep up with demand during 1957. The mills will set a new production record as much as 3,000,000 tons better than the 117,000,000-ton mark established in 1955.

An "Iron Age" survey of major steel-consuming industries points to another banner year for most of them. Most metalworking companies expect to do as well, or better, than in 1956. On top of this, the blow-up in Suez will mean all-out construction of oil tankers, record drilling in the oil fields and higher defense spending and stepped-up foreign aid, it continues.

This not only means strong demand to keep production lines rolling, but it also means that steel users will be battling to rebuild inventories against the possibility of a real international explosion. Hedging against coming higher steel prices will add some pressure but not so much as in previous years.

The steel mills enter the New Year with very heavy carryovers in most major products. The situation is particularly embarrassing in plates, structural shapes, seamless pipe, linepipe and hot-rolled sheets. In plates, seamless, and linepipe, the supply problem is worsening rapidly, it adds.

The "Iron Age" survey covered nine important steel-using industries and a breakdown of their outlook shows that the automotive industry will enjoy possibly the second-best year in history. Auto people are talking about 6,500,000 cars and 1,200,000 trucks. Machine tool builders, it states, are shooting for their second billion-dollar year in a row and 1957 may top $1 billion by a bigger margin than 1956, which set a new peacetime record for both orders and shipments. The United States Department of Commerce forecasts new construction spending of $46,500,000,000, up 5% over last year. Appliance makers, too, are predicting gains of 30% over 1956 with the consensus 10%.

In farm equipment the outlook is for a 5% gain over 1956. Spending for new plants and equipment is expected to approximate $37,000,000,000 or $2,000,000,000 better than last year's record-breaking $35,000,000,000.

Continuing, it declares the oil industry will spend about $6,300,000,000 in 1957 for expansion and exploration compared with $6,000,000,000 last year. The Suez crisis could push 1957 spending even higher than expected, it states.

After weathering some rough years, coal is on the move again. Stepped-up domestic and export demand forecasts consumption of 461,000,000 tons this year compared with 448,000,000 tons in 1956, according to this trade authority.

In the aircraft industry, manufacturers look for an $8,500,000,000 year compared with $8,300,000,000 last year. Backlogs are

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Observations . . .

By A. WILFRED MAY

BUSINESS AND THE STOCK MARKET IN 1957
The "Pros" and "Cons"

Following our custom at New Year forecasting time, we list objectively without editorial emphasis, the ten leading "bullish" and "bearish" factors relevant to 1957 business and the stock market. While doing so, we caution our readers that rather than determining market performance, the political, economic, and business events will chiefly serve as *explanations* of the market's performance after it shall have occurred.

A. Wilfred May

* * *

"BULLISH" FACTORS

(Please note the paragraphs as correspondingly numbered under "BEARISH" INFLUENCES following hereinafter).

(1) Rising national output, likely to be reflected in a Gross National Product rise of 4% to $430 billion.

(2) Higher personal consumption and general non-residential construction expenditures.

(3) Managements' indicated continuance of liberal outlays for plant and equipment.

(4) Increased government spending at local as well as Federal levels.

(5) The prospective credit situation; in that the current squeeze may get ameliorated, or at least continued only as the accompaniment and manifestation of a boom economy.

(6) The Middle East and other international crises; with their fillip to inflationary spending for military and foreign aid purposes.

(7) The continuance in office, and by a sweeping vote of confidence, of the Republican Administration, with its connotations of "good will to business."

(8) "Inflation," with a further price level rise of at least 2% generally predicted for 1957.

Specific Stock Market Factors

(9) The availability of a goodly number of issues at prices that appear to be justified by quantitative value criteria, (ex-"inflation") including long-term earnings, asset value and growth prospects.

(10) A continuing long-term rise in the popularity and price of equities, based on secular industrial expansion, inflationary pressures, and general favoring of equity versus fixed-income holding; all functioning as cushion under any intermediate reactions.

"BEARISH" INFLUENCES

(1) The possibility of a downturn in the indices after mid-year marking a reversal in the trend of business activity, despite the likelihood of a favorable comparative record for the entire year.

(2) The outlook for lower expenditures in some sectors, as in residential building, and possibly disappointing automobile purchases, combined with the generally continuing expansion in inventories.

(3) The indication from recent surveys of a likely falling off in business spending for new plant and equipment after a bulge in the early months. The vulnerability of presently contemplated outlays to a change in underlying conditions or psychology.

(4) Delays involved in the activation of government pump-priming should it be found necessary; exemplified by the tardiness revealed in the effectuation of the multi-billion-dollar national highway program passed by the Congress last June.

(5) The credit squeeze; with particularly strong effects in certain sectors.

(6) The Middle East and other tension; with the immediate impact of Suez on Western European business and finance, and with the traditional assumption that international strife is "bad for capital."

(7) The comparatively deflationary tone of a Republican Administration. The apparent elimination of hopes for tax reduction.

(8) Profitless Prosperity. The likelihood that higher wage and other costs will further extend the 1956 profit margin decline from 3.5% to 3.4%. The resulting "brake" on earnings and dividends could counteract inflationary forces.

Specific Stock Market Factors

(9) The current possibly over-priced level of some market sectors, the disproportionately high price-earnings ratios of Blue Chips and some Yellow Chips, and competition for the high-bracket investor's dollar from the substantially raised yields on tax-exempt bonds.

(10) The historically high market with the Dow Jones Average at double its 1953 level entailing vulnerability to any overvaluation and external deteriorating.

* * *

With the assumption that a net conclusion from the conflicting economic, business, and political elements constitutes an imponderable, we might deduce from the market elements while there may be short-term uncertainty and readjustment, this should be coupled with the reassurance of a generally constructive performance over the long-term.

De Coppet & Doremus Admit H. W. Putnam

De Coppet & Doremus, 63 Wall Street, New York 5, N. Y., members of the New York Stock Exchange, announce that Henry W. Putnam has been admitted to general partnership in the firm.

F. S. Yantis Adds

(Special to THE FINANCIAL CHRONICLE)

ELGIN, Ill.—Woodrow H. Boyer has become affiliated with F. S. Yantis & Co., Inc., Tower Building.

Tight Money—Cause and Effect, And Outlook for Money Rates

By RAYMOND RODGERS*
Professor of Banking, Graduate School of Business Administration And in the School of Commerce, Accounts, and Finance, New York University

Contending no consequential changes in immediate future is likely for supply of and demand for money, Banking Professor believes tight money will continue, money rates will remain high and may go higher, and boom may come to an end "sooner than was expected a few weeks ago," accompanied by a reversal of Federal Reserve policy paralleling business activity and price change. The causes and consequences of tight money are delineated by Mr. Rodgers, who also points out what can be done about tight money during the period in which it is necessary. Emphasizes there's no "shortage" of credit but that there is a seemingly insatiable demand for it.

Money is tight and getting tighter. This is a new and strange phenomenon for most bankers and businessmen. It is indeed hard to believe that the prime rate, which stayed at 1½% for more than 14 years, from October, 1933 to December, 1947, has increased more than 100% in less than two years and now promises to increase still more!


Raymond Rodgers

There are many reasons for the great increase in the demand for money since the stagnant days of the '30's. To cite but a few over-all increases in demand, consider the increases since 1939:

(1) In personal income, from $72.9 billion to $327 billion, which is an increase of 349%.

(2) In personal taxes paid, from $2.4 billion to $38.8 billion, which is an increase of 1517%.

(3) In the cost of living, from an index of 59.4 to 117.1, which is an increase of 97%.

(4) In the standard of living, an estimated increase of 25% (which, obviously, seems far too low).

(5) In total new construction, from $8.2 billion to $43.0 billion, which is an increase of 435%.

(6) In expenditures by manufacturers for new plant and equipment, from $1.94 billion to $16.87 billion, which is an increase of 770%.

As these and many other figures indicate, in the period since the thirties there has been, literally, an explosion in the demand for money and capital. But the money stringency didn't start until early 1955, and by far the greater part of the great increase in demand came before 1955! The answer is that an increase in the turnover of the money supply, an increase in the currency outside banks from $6.4 billion to $27.9 billion, and an increase in demand deposits (the modern money supply) from $29.7 billion to $106.6 billion took care of the great increase in demand until the end of 1954; but since then, not only has there been no expansion of the money supply, it has actually decreased!

*An address by Mr. Rodgers before Michigan Banks Association, University of Michigan, Dec. 6, 1956.

Basic Economic Principles

As the demands for both bank credit and capital are outrunning the supply, it will be helpful to look at the principles underlying supply and demand in these fields. These basic principles, simply stated, are:

(1) The **supply** of savings (capital) is **inelastic.**

(2) The **demand** for savings (capital) is **highly elastic.**

(3) The **supply** of bank credit is elastic, but **limited.**

(4) The **demand** for bank credit is elastic, but **unlimited.**

Applying these principles, since the end of World War II there has been an almost continuous excess of investment demand over the supply of cash savings. As a people, we wanted new automobiles and new houses; we wanted shiny new, all-steel kitchens and new hospitals; we wanted new schools and new roads; we also wanted a higher standard of living and, thus, could not save enough to pay for all of these new things. In short, we wanted "to have our cake and eat it, too." And, for quite a while, we were able to do this very thing through the expansion of bank credit.

As bank loans had fallen to very low levels in the Great Depression of the 30's, there was room for sufficient expansion to cover the excess of demand over supply until 1955. In fact, the great expansion of bank loans from $26 billion at the end of the war to the present $87 billion absorbed this excess so smoothly and handily that it gave rise to several dangerous fallacies. The more important of these misconceptions were:

(1) That voluntary saving was no longer the prerequisite and bedrock of capitalistic progress;

(2) That bank credit could be permanently substituted for the true capital accumulated by saving;

(3) That the limits of bank credit expansion were so remote they could be disregarded.

Unfortunately, these fallacies have all exploded at the same time. Everyone is fighting for the flow of savings. Liquidity—current as well as ultimate — of lenders, as well as of borrowers, is becoming of growing concern. And, the limits of bank credit expansion under present conditions are being sorely pushed.

Demand Has Upset the Applecart

Even though bank credit has been enormously expanded, higher prices, higher wage levels, heavy expenditures for public works, heavy real estate financing, record-breaking capital expansion, tax-payment acceleration, inventory accumulation, and the general high level of business activity have caused demand to outrun supply. Putting it bluntly, there is no "shortage" of credit—no one has taken "it away"—but there is a seemingly insatiable demand for it. In short, it is soaring demand which has upset the applecart!

It cannot be emphasized too strongly that the current tight-money pressure is the result of demand factors, and that the commercial banks have done far more than their share on the supply side. Nor is tight money the invention of the Federal Reserve banks. They have not reduced member bank reserves; on the contrary, they have increased them. They have simply stopped increasing reserves at a rate which would permit a continuation of the expansion of demand for goods, raw materials and labor that are not available in the market and thus could only cause higher prices, that is, inflation.

To their eternal credit, the Federal Reserve authorities are determined to prevent the boom in business activity and prices from reaching dangerously high levels, which might cause serious trouble later on. This laudable, but unfortunately thankless, effort merits the active and unqualified support of all, whether bankers, businessmen, or citizens.

Consequences of Tight Money

The consequences of the tight money of recent months are far-reaching and deep-seated. Some of the more important effects of the tight money pressure under the prevailing conditions of credit restraint warrant close analysis.

Impact on Banking: Between Jan. 1, 1955 and Aug. 29, 1956, the commercial banks were forced to sell $12 billion of government obligations in order to increase their loans by $17 billion. Because of the substantial loss involved in the sale of the longer-term issues, the banks sold Treasury bills and certificates so far as possible. As a result, the ratio of Treasury bills and certificates to deposits has dropped to around 1% for Reserve city member banks and to less than 2% for all member banks. Tight money has, thus, sharply decreased the liquidity of our banks.

This decline in liquidity and the sharp increase in risk asset to deposit ratios have forced all

Continued on page 23

From Washington Ahead of the News

By CARLISLE BARGERON

Congress has returned to face a most anomalous and perplexing foreign situation. On the one hand it faces a picture of a weakened Russia; unrest in Hungary certainly, unrest in Poland and reported unrest within Russia itself. On the other hand there is the picture of the Kremlin being an increasing menace in the Middle East. There a void has been created, Congress will be told officially, and if this country doesn't move into this void at a tremendous cost, and the possible use of men, Russia will occupy this void.


Carlisle Bargeron

In other words, Russia, having trouble with what it has got, is seeking to increase its domain.

For weeks, the Administration has been putting out feelers to see how far Congress and the country will go in dealing with this situation. The feelers have been to the extent that the President will ask Congress for standby authority to use armed force in the event our interests demand it. If Congress should grant this authority, as it did overwhelmingly in the matter of Formosa in January, 1955, it is expected to act as a deterrent to Russia. If Russia is truly having the troubles it is reported to be having, this authority would undoubtedly act as just that. On this basis, and on the basis of the authority given to Mr. Eisenhower in regard to Formosa, it would seem that Congress would not hesitate in supporting the President in this instance.

But the situation and the atmosphere is not the same. From what I gather from earlier arrivals among members of Congress the Democrats want to do some raking over the coals about who is responsible for the Middle Eastern situation. There seems little doubt that the British and French, if let alone, would have cleaned up the Suez Canal situation by now, though not as fast as they expected, and at a tremendous cost in damage to the canal.

Our Government, in the midst of a political campaign, denounced Britain and France and insisted that the crisis should be handled in an "orderly" way by the United Nations. The British and French are now demanding, rightfully so, that inasmuch as they were forced to accept humiliation that it is up the United States to take over.

But the Administration's proposal for standby authority to use armed force if necessary, if that proposal is ever formally made, if it gets beyond the "feeler" stage, is in conflict with its stand that the United Nations must settle matters. The proposal involves unilateral action by the United States.

In other words, our Government demanded that Britain and France get out of Egypt because it might provoke the Russians to move in. Now that Government wants authority to tell the Russians that if they attempt to move in, they will be resisted by the armed forces of this country. Somehow, the reasoning is that this won't provoke the Russians or the other Arab nations as much as if Britain and France had been permitted to clean up the mess relatively quickly.

The matter of giving Mr. Eisenhower the standby authority, however, doesn't seem to worry the incoming Congressmen as much as other stories they hear about what the Administration intends to ask for, such as the economic aid program to all of the Arab countries. After all, the old business of Congress having the exclusive power to declare war, has largely become outmoded.

Mr. Truman gave Congress no notice whatsoever when in 1950 he decided to move against North Korea. And as far back as Woodrow Wilson, in this writer's memory, he moved against Mexico, on two occasions, and against Nicaragua, without any advance approval by Congress. Also, on the occasion of two formal declarations of war, World War I and World War II, it was clearly shown that the President had the power to bring about a situation where a mere declaration of war by Congress was routine.

So members of Congress are under few illusions about their power to declare war. But this business of calling upon the taxpayers for continued money to finance our so-called global leadership is giving a lot of them pause.

With Franklin Secs.

Franklin Securities Company, Fidelity Building, announces the association of the following listed personnel as Registered Representatives in the Dallas area: Maxwell Brown, Marion W. Kelley, Wayne H. Smith.

With Fewel & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Stanley M. Mathes has become affiliated with Fewel & Co., San Diego Trust & Savings Building. He was formerly with Samuel B. Franklin & Co.

The Outlook for Business

By DR. PHILIP WERNETTE*
Professor of Business Administration, University of Michigan, Ann Arbor, Michigan

Ann Arbor Professor examines various factors relevant to the business outlook, listed under the headings of barometers, spenders, monetary factors, regulators, and upsetters; evaluates false or misleading arguments used in business outlook projections; and concludes we are in for a short-run period of high level prosperity—providing the Federal Reserve can reverse itself in time when necessary, and that the long run outlook is "simply fabulous" so long as we exercise wisdom, knowledge, and courage. Author claims right proportion of money supply to production output spells neither inflation nor deflation but simply "flation"—if adjustments are made for velocity; warns bankers of geographic unevenness in economic growth dispersion; and examines possible hindrances to growth projections offered.

First, let us take a look at the past 12 months as a basis for seeing where we may be going next.

1956 has been a very prosperous year as happily and perhaps even fortunately forecast here a year ago. Many segments of the American economy have made an all-time high during these past 12 months. Here are 10 such segments of the American economy that have made new records.


J. Philip Wernette

(1) The gross national product. The total of goods and services turned out by our productive engine made a new high. Its money value by the end of the year will probably be about $410 billion as against $392 billion during 1956. Some of this rise being due, of course, to inflation and commodity price level increases.

(2) Closely associated with this is a rise in the national income to a new high, about $341 billion as against $324 billion in 1955.

(3) Employment. In October, 65 million Americans were at work in civilian employment, the figure being one million higher than the figure of the preceding year.

(4) Total construction, which I estimate just very slightly higher than that cited by a previous speaker, but my figure is not necessarily to be preferred on that account. My estimate for 1956: $44.5 billion of new construction; and repairs and maintenance in the amount of $15.5 billion.

(5) Population. It passed 168 million last year and will rise in the coming year.

(6) Industrial production. After a dip in the first half of the year, the index made an all-time high in October.

(7) As you know well, bank deposits and bank loans in American banks achieved new high figures in this past year.

(8) Stock prices also achieved new highs. Indeed they were somewhat higher than is generally realized if one looks at the Standard and Poor's figures instead of the Dow-Jones average. For technical reasons the Dow-Jones figure understates the rise in the prices that has occurred since 1929. This is not true of the Standard and Poor's figure.

(9) Wage rates and the standard of living.

(10) A rise of the consumer price level to an all-time high in recent months.

Some segments of the national economy, however, did not make new highs during the year.

(1) The production and sale of automobiles. They lost about 20% from a year ago; but certainly are going to rise substantially in the year ahead.

(2) Residential construction — this component of total construction is down somewhat this year. The **dollar figure** is not down so much as the **number** of housing starts, because the average house is a little more expensive than the year before. The dollar figure is down from about $16.6 billion in 1955 to an estimated $15.4 billion in 1956 and will probably stay at about the same level in the coming year. At the present moment statutory restrictions on the interest rates are the principal adverse factor restraining a rise in house building, and this is something that may be corrected by the Congress.

(3) Agriculture is a segment of the economy that did less well than in some earlier years.

(4) Corporation profits after taxes did not make a new high last year. The all-time high was made in 1950 when corporation profits after taxes exceeded $22 billion. In 1955 the figure exceeded $21 billion and this year (1956) they probably will be less than $21 billion.

(5) Interest rates did not make an all-time high this past year. The structure of interest rates now is at the highest level in more than 20 years; but in earlier years of the Republic, interest rates were very much higher.

(6) The wholesale commodity price index has not yet surpassed its 1951 all-time high. I say "not yet," because it's very close to it and I think it altogether possible that it will in the months ahead.

In other words, we may summarize these last 12 months by saying that they represent a continuation of the up-trend that began in the United States in 1938 with the only minor setbacks that have occurred in 1945, 1946, 1949 and 1953-1954.

This long continued rise, therefore, poses two key questions: (1) Must that which goes up come down? or (2) Can it continue going up forever? To these questions we now turn our attention.

The Determinants of Prosperity

The determinants of prosperity in a private enterprise country, and even to some extent in slave countries, are to be found in two great strands of explanation. One is **supply**—productive capacity—the ability of the American economic engine, the American private enterprise system, to turn out goods and services. This productive capacity rises slowly and steadily. It has never declined—even in the 1930's, when actual production dropped by 50%. This occurred **not** because productive capacity declined, but only because of the drop in **demand**. Demand—the effective willingness to spend money—declined. These two factors are inter-related in our expanding economy. Ours is a "growing boy" economy, in terms of productive capacity; and money is the "life blood" whose circulation keeps the economy healthy.

If the supply of monetary life blood increases too rapidly, the growing boy economy develops high blood pressure—equivalent to **inflation**. On the other hand if the money supply doesn't increase fast enough (with a total disregard for the medical facts) then the boy begins to develop anemia—**deflation**. If some of the blood is actually drained off it may develop pernicious anemia—**depression**. This actually happened between 1929 and 1933.

If, however, the quantity of money increases at just the right rate we have neither inflation nor deflation—we have simply "**flation**," which is one of the desirable goals of national policy.

Short-run fluctuations in the nation's prosperity are occasioned almost entirely by fluctuations in demand, not by fluctuations in productive capacity—which grows slowly and steadily through the years. We shall come in a moment to the outlook for demand.

Some False or Misleading Arguments

Before passing to an evaluation of the key factors—let's take a look at some erroneous ideas in connection with the business outlook. This portion of the discussion is most respectfully dedicated to a great and now almost forgotten American, Josh Billings, the humorous writer of another day, whose name even nowadays is almost forgotten. He said many interesting and witty things, including one that has long seemed to me to be one of the wisest things ever said by any human being. Said Josh Billings, "It ain't ignorance that causes all the trouble in this world; it's the things that folks know that ain't so!"

These are some of them:

(1) Depression is certain—be-

Continued on page 23

*An address by Dr. Wernette before the Conference of Bank Correspondents, The First National Bank of Chicago.

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.**

Dividend Tax Credit: Its Importance for Economic Growth—New York Stock Exchange, New York 5, N. Y. Also available is a detailed study by the Exchange of **"Stock Ownership Plans for Employees."**

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

Outlook for 1957—Circular—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

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

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.

Public Utility Common Stocks—Tabulation—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Steel Stocks—Analysis in "Monthly Investment Letter"—Hayden Stone & Co., 25 Broad Street, New York 4, N. Y.

Stock Market Readjustment should end by mid-year—Study—Parrish & Co., 40 Wall Street, New York 5, N. Y.

What Is the Outlook for the Stock Market?—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

* * *

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

Best Foods, Incorporated—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Capitol Uranium Co.—Report—J. B. Henri Co., 517 Seventeenth Street, Denver 2, Colo.

Caterpillar Tractor—Memorandum—Schirmer, Atherton & Co., 50 Congress Street, Boston 9, Mass.

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

City Bank Farmers Trust Company—1956 Report to Shareholders—City Bank Farmers Trust Company, 22 William Street, New York 15, N. Y.

Climax Molybdenum—Data—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are data on **Pittsburgh Metallurgical Co., Vanadium Corp. of America,** and **Kelsey-Hayes Co.**

First National City Bank of New York — "1956 Report to Shareholders"—First National City Bank of New York, 55 Wall Street, New York 15, N. Y.

Ingersoll Rand Company—Analysis—Sutro Bros. & 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.

Nicholson File Company—Analysis—F. L. Harson & Co., Hospital Trust Building, Providence 3, R. I.

North Canadian Oils Limited—Data—Ross, Knowles & Co., Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada. Also available are data on **Consolidated Denison Mines Ltd.**

Oglivie Flour Mills Company Limited—Review—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Man., Canada and Royal Bank Building, Toronto, Canada.

Pepsi Cola Co.—Memorandum—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Raytheon Manufacturing Co.—Memorandum—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y. Also available is a memorandum on **Schenley Industries.**

Ryerson & Haynes, Inc.—Memorandum—William C. Roney & Co., Buhl Building, Detroit 26, Mich. Also available is a memorandum on **Stubnitz Greene Corp.**

Speer Carbon Company—Analysis—Boettcher and Company, 105 East Pikes Peak Avenue, Colorado Springs, Colo.

Sunshine State Parkway—Report—Howard, Needles, Tammen & Bergendoff, 99 Church Street, New York 7, N. Y.

Tennessee Corp.—Memorandum—Walston & Co., Inc., 120 Broadway, New York 5, N. Y.

Union Oil Company of California—Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Walt Disney Productions—Memorandum—Joseph, Mellen & Miller, Inc., Union Commerce Building, Cleveland 14, Ohio.

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

J. N. Russell & Co. Formed in Cleveland

CLEVELAND, Ohio—J. N. Russell & Co., Inc., Union Commerce Building, members of the New York Stock Exchange and other principal exchanges, has been formed effective Jan. 1 to continue the investment banking and brokerage business formerly conducted under the name of Gottron, Russell & Co., Inc.

R. S. Dickson Adds

(Special to The Financial Chronicle)

CHARLOTTE, N. C.—Joseph D. Myers is with R. S. Dickson & Co., Inc., Wilder Building, members of the Midwest Stock Exchange.

E. Keusch Admitted To W. E. Hutton & Co.

W. E. Hutton & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, announce that Ernest E. Keusch has been admitted to general partnership in the firm.

Two With Loewi Co.

(Special to The Financial Chronicle)

MILWAUKEE, Wis.—Walter A. Meanwell and Donald T. Risk have become affiliated with Loewi & Co. Incorporated, 225 East Mason Street, members of the New York Stock Exchange. Mr. Risk was previously with Leason & Co.

NSTA Notes

BOND TRADERS CLUB OF CHICAGO

Edward A. Roob, President, has announced that the Nominating Committee of the Bond Traders Club of Chicago has selected the following slate of officers for the coming year:

Jerome F. Marquardt

Leonard Friedman

Charles G. Scheuer

James H. Scott

President: Jerome F. Marquardt, William A. Fuller & Co.
Vice-President: Leonard Friedman, Boettcher & Co.
Secretary: Charles G. Scheuer, Wm. H. Tegtmeyer & Co.
Treasurer: James H. Scott, Blyth & Co., Inc.

The Club will hold its annual dinner meeting on Jan. 28, 1957 at the Sheraton Hotel. William J. Sennott, Jr. is in charge of arrangements.

L. O. Hooper Views 1957 Stock Market And Business Trend

Reviews coming prospects for stock market, corporate earnings, business activity and price trend.

"It is my opinion that the year-end rise in stock prices," according to Lucien O. Hooper, of W. E. Hutton & Co., New York City, "has been nothing more than a temporary technical recovery in the downtrend in progress since last Summer. Stocks are adjusting themselves to more or less permanently higher money rates and correcting a recent temporary over-appraisal of the so-called 'growth' issues which had discounted too much too far ahead.

Lucien O. Hooper

"I am not looking for a major bear market, but I do not think the 460-area in the Dow-Jones Industrials marks the low of this correction. The market, unquestionably, will continue to be highly selective; and a small minority of stocks probably will reach toward higher prices even in the first half of 1957.

"So far as the long pull is concerned, keep in mind that most of the inflation of the war years is built into the economy because the war debt will not be paid off. Remember, too, that private debtors cannot pay off and service their present large obligations except in dollars with a purchasing power no higher than the money they borrowed. Deflation, like that of the early 1930's, simply is not in the cards. If anything, over the years there will be more inflation. Right now, inflationary pressures are less pronounced.

"With profit margins squeezed, and money less abundant, I would look for lower corporate earnings, in the aggregate, in 1957 than in 1956.

"In the first half year, business may be better than the stock market. It is possible that in the second half year the stock market may be better than business."

Cosgrove, Whitehead & Gammack Formed

Announcement is made of the formation of Cosgrove, Whitehead & Gammack, as of Jan. 1, to succeed to the businesses of Gammack & Co. and Cosgrove Miller & Whitehead. Main office of the new firm, which will hold membership in the New York and American Stock Exchanges, will be at 44 Wall Street, New York City.

Branches are maintained in Binghamton, N. Y., Cleveland, Deposit, N. Y. and Harrisburg, Pa.

With S. J. Dodge

(Special to The Financial Chronicle)

SHAWANO, Wis. — John P. Hoeffler has become connected with S. J. Dodge Co., 126 South Main Street. He was formerly with Arthur M. Krensky & Co., Inc. and A. C. Allyn & Co.

Joins Rothschild Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — Benjamin E. Wolff has become associated with Rothschild & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Earnings and Dividends Outlook

By CHARLES A. SCHMUTZ
President, Standard & Poor's Corporation

Standard and Poor's head presents 1957 outlook for earnings and dividends. In foreseeing a 3.5% rise in GNP for 1957 to $425 billion, Mr. Schmutz opines it will be a year of opposing trends for individual firms, requiring selective approach by investors, and that the increase in dividend payments may be proportionately larger than the rise in profits.

Another excellent year is in store for shareowners of American corporations, though gains will be even less general than in 1956. We estimate that aggregate net income after taxes of all corporations will show little change, on balance, from last year's $21.5 billion (indicated), which compared with $21.1 billion in 1955 and an all-time peak of $22.1 billion in 1950.

Charles A. Schmutz

In general, 1957 shapes up as another year for consolidation of earlier gains by industry, and a period of "make ready" for further gains to come. This process will not preclude an increase in Gross National Product, which we project at around $425 billion, a rise of 3.5%, but will put some strain on profit margins as start-up expenses on new plant and resistance to further price advances are absorbed.

Tight money will continue to be a limiting influence, though some relief may be afforded as the year progresses if the recent rate of saving in maintained. Its effects will be felt most keenly in home building and certain types of commercial construction, though heavy outlays by industry for new equipment and a further rise in government spending will be offsetting elements.

Inventory accumulation, which amounted to almost $3 billion last year, will be retarded. While this factor, often an important contributor to a "boomy" atmosphere, will be missing, its absence will emphasize the solidity of corporate earnings in the period ahead.

Year of Crosscurrents

As we see it, 1957 will be a year of conflicting trends for individual companies, emphasizing the need for a selective approach by investors. Many leading concerns should fare better than the general run of corporations. Among these, prospects are particularly favorable for the steel industry and makers of basic industrial equipment; aircraft companies; oil producers; and makers of autos and auto parts, which are expected to enjoy a good rebound in demand following a major adjustment in 1956.

Companies represented in the Standard & Poor's daily price index of 50 industrial stocks encountered a moderate decline in profits last year. Even so, their earnings were 22% greater than in 1950, whereas "all corporatons" were still somewhat short of the record established in that year. For 1957, we anticipate a gain of about 5% for this group of concerns, which would lift earnings close to their 1955 peak. As the following table shows, such a result, in terms of dollars per share adjusted to the index, would be almost triple the earnings of 1929.

	Net Income	Dividends
1957 (est.)	$37.50	$21.00
1956 (est.)	35.85	19.80
1955	37.61	18.68
1954	28.76	15.62
1953	25.92	14.64
1952	24.56	14.33
1951	25.30	14.44
1950	29.16	15.26
1949	23.92	11.42
1948	23.35	9.06
1947	16.92	8.15
1929	13.00	8.19

Larger Dividend Rise

The increase in dividend payments, we believe, will be proportionately larger than the rise in profits. Despite the further rise in stockholder disbursements, leading corporations paid out a historically low proportion of earnings in 1956. Although outlays for expansion will continue large, there is no reason to expect any reduction in the payout ratio, on an over-all basis.

Even if this ratio is no larger than last year, 1957 should see dividends equal to about $21 a share on the 50 stocks in our daily industrial index. This would represent a rise of 6% over last year's payments and would be 2½ times the dividend total for this group in 1929.

Economic Growth—U. S.

America reached new peaks last year in its long record of economic growth. Indications are that further progress will be made in 1957. Standard & Poor's estimates that the Gross National Product will reach $425 billion, an increase of 3.5% over 1956.

Capital Expenditures

Heavy expenditures for plant and equipment have been a major factor in the business boom. Another increase of about 10% is indicated for 1957.

Wholesale Commodity Prices

Farm product prices have reversed their five-year slump, and prices of other products have recently been advancing at an accelerated pace.

Interest Rates

Tight money policy of the Federal Reserve, reflected in successive increases in the rediscount rates, is aimed at warding off dangerous inflationary pressures in the economy.

Total Loans

Borrowing from banks has been running well above last year's level. Since the Federal Reserve has restricted the supply of credit, the outcome has been a pronounced rise in interest rates.

U. S. Passenger Car Production

Passenger car output in 1956 was down about 26% from 1955's record-breaking production, to some 5,872,000 cars. Industry leaders are forecasting an increase to about 6½ million cars in 1957.

Corporate Profits and Dividends

Total earnings of all corporations in 1957 probably will show little change from last year's $21.5 billion (indicated), but dividends may push ahead slightly to another new record.

Stock Prices vs. Earnings and Dividends

Stock prices have outpaced the rise in earnings and dividends, and investors are now inclined to capitalize these supporting factors on a more conservative basis.

Stock and Bond Yields

The spread between common stocks and bond yields has narrowed considerably in recent years. Bonds are now competing actively for the investor's dollar.

With Watling, Lerchen

(Special to THE FINANCIAL CHRONICLE)

JACKSON, Mich.—Michael Barton, Jr., has become associated with Watling, Lerchen & Co., 120 West Michigan Avenue. In the past he was Manager of the Trading Department for H. H. Butterfield & Co.

Eberstadt Admits Porter As Partner

F. Eberstadt & Co., 65 Broadway, New York City, has announced the admission of Robert C. Porter as a general partner of the firm, effective Jan. 1, 1957. He will be head of the firm's new business department.

Robert C. Porter

Mr. Porter became associated with F. Eberstadt & Co. early in 1956, having previously been Secretary, General Counsel and a Director of Chas. Pfizer & Co., Inc. Prior to this he was a Vice-President of Chemical Bank & Trust Co. He is a member of the New York State bar and for several years practiced with the New York law firm of Cravath, Swaine & Moore. During World War II Mr. Porter served with the U. S. Navy.

George Hayman With Shields & Company

Shields & Company, 44 Wall Street, New York City, members of the New York Stock Exchange, announce that George Hayman is now associated with the firm in the Municipal Bond Department. He was formerly with John Small & Co.

The Investment Outlook for 1957

Top life insurance economist anticipates: need for continued credit restraint in 1957 as "we shall again be confronted with demands for capital funds in excess of available supplies from nonbank sources"; GNP will increase moderately to a new record level; and market forces should produce firm to rising interest rates.

Recounting the various demands for capital funds which will overflow the nonbank supply, James J. O'Leary, Investment Research Director of the Life Insurance Association of America, in his report of Dec. 12 to the Membership, concludes there will be great pressure for bank credit expansion beyond growth requirements to fill the gap.

Economist O'Leary points out: "During the past two years the exuberance of our national economy has led to enormous demands for capital funds which have overflowed the supply of savings. The inevitable outcome has been to create strong pressures for an increase in commercial bank credit beyond the requirements of normal growth in our national economy. In the field of residential and industrial construction, state and local improvements, and consumer durable goods we have been pressing to expand beyond our resources. Here is the fundamental source of upward pressure on prices, and under the circumstances it has been salutary for the monetary authorities to restrain the expansion of bank credit.

Dr. James J. O'Leary

Looking forward to 1957, Mr. O'Leary believes "there is little reason to expect this situation will alter appreciably. It now seems clear that we shall again be confronted with demands for capital funds in excess of available supplies from nonbank sources, and that the monetary authorities will be required to continue a policy of credit restraint. Although we may well continue to experience the 'rolling adjustments' in general economic activity which have characterized recent years all signs now indicate that over-all business activity will remain high this year and that gross national product will increase moderately to a new record level. Consumer expenditures, bolstered by a comeback in the automobile market, as well as business expenditures, should continue strong. In the face of increased international tensions, Federal expenditures may well be pushed upward.

Capital Outlays to Continue

"Although the current rate of plant and equipment expenditures by business concerns is very high, there is little evidence from surveys carried out by McGraw-Hill, the Department of Commerce, and others that we can expect any marked abatement in 1957. More and more attention is now being directed by economists to the longer-range view being taken by business executives in planning expansion and improvement of plant and equipment, as well as the great impact of industrial research on business capital spending. Rising borrowing costs of corporations can easily be exaggerated because interest rates are still low historically and in relation to profit expectations. Moreover, despite all the talk about a decline in residential construction this year, there are good prospects that housing starts will run as high as one million or slightly higher, so that it still appears that total uses of mortgage funds—residential, farm, and industrial-commercial—will be as high as in 1956.

"The demand for capital funds by state and local government units promises to remain high, particularly in view of projects which had to be postponed last year. If we do experience a resurgence in the automobile market an upward push will be given to the demand for consumer credit. Underlying the entire capital market picture is the fact that at the end of last year there were a sizable overhang of capital expenditure projects which had to be postponed because of a scarcity of available funds at desired rates. Added to this, the great pressures of demand for funds have gradually reduced liquidity in the financial system as a whole, including both the commercial banks and nonbanking institutions."

Firm to Rising Interest Rates

In view of this outlook, the Association's Economist states "it is difficult to avoid the conclusion that 1957 will again be a year in which the various demands for capital funds will overflow the supply from nonbank sources, and there will be great pressure for an expansion of bank credit beyond growth requirements to fill the gap. Market forces, therefore, should produce firm to rising interest rates. We should witness the continuation of a policy of credit restraint by the monetary authorities designed to head off an inflationary increase in commercial bank credit.

"The Federal Reserve and the U. S. Treasury have wisely and courageously pursued a policy of credit restraint to keep our national economy on an even keel and to maintain stability in the value of the dollar. There is nothing in the outlook for 1957 which would reduce the great public need for a nonpartisan, fully independent Federal Reserve—free to study economic trends and to determine monetary and credit policy responsibly and objectively in the broad public interest. The country is fortunate that we have had such freedom on the part of the monetary authorities, and they have pursued wise policies. But we must always remember that the Federal Reserve and the Treasury sorely need the aid of other public and private groups if we are to have stable and sustainable economic growth. Restraint by the monetary authorities must be matched by restraint on the part of business concerns, organized labor, the consumer, lending institutions—indeed the country as a whole."

The Research Director of the Association in his report to the Members explains the changing composition of the life insurance investment portfolio for the period 1953-1956. Among the many changes revealed in the accompanying table is the drop in government securities holdings from 12.5% of total investments at end of 1953 to 7.9% for same date in 1956, and the increase in stocks and nonfarm mortgage holdings.

Investments, By Classes, 1953-1956
All United States Legal Reserve Life Insurance Companies
(millions of dollars)

INVESTMENT CLASS	December 31, 1953 Amount Outstanding	% of Total	December 31, 1954 Amount Outstanding	% of Total	December 31, 1955 Amount Outstanding	% of Total	Estim. Dec. 31, 1956 Amount Outstanding	% of Total
Bonds—								
U. S. Government	$9,829	12.5	$9,070	10.7	$8,576	9.5	$7,600	7.9
*State, County & Municip.	1,298	1.7	1,846	2.2	2,038	2.3	2.250	2.3
†Canadian Government	1,254	1.6	1,155	1.4	1,025	1.1	1,050	1.1
†Other Foreign Government	24	0.0	29	0.0	43	0.1	50	0.1
Total Government	$12,405	15.8	$12,100	14.3	$11,682	13.0	$10,950	11.4
Railroad	3.643	4.7	3,757	4.5	3,912	4.3	3,900	4.0
Public Utility	12,827	16.3	13,511	16.0	13,968	15.4	13,500	15.1
Industrial & Miscellaneous	15,527	19.7	16,926	20.0	18,179	20.1	19,900	20.7
	$44,402	56.5	$46,294	54.8	$47,741	52.8	$49,250	51.2
Stocks—								
Railroad	136	0.2	162	0.2	150	0.2	150	0.2
Public Utility	947	1.2	1.248	1.5	1,393	1.5	1,400	1.4
Other	1,490	1.9	1,858	2.2	2,090	2.3	2,100	2.2
	$2,573	3.3	$3,268	3.9	$3,633	4.0	$3,650	3.8
Mortgages—								
Farm	1,886	2.4	2,048	2.4	2,273	2.5	2.500	2.6
Other	21,436	27.3	23,928	28.3	27,172	30.1	30,600	31.8
	$23,322	29.7	$25,976	30.7	$29,445	32.6	$33,100	34.4
Real Estate	2,020	2.6	2,298	2.7	2,581	2.9	2,850	3.0
Policy Loans & Premium Notes	2,914	3.7	3,127	3.7	3,290	3.6	3,500	3.6
Cash	1,215	1.5	1,240	1.5	1,265	1.4	1,200	1.2
Other Assets	2,087	2.7	2,283	2.7	2,477	2.7	2,700	2.8
Total Assets	$78,533	100.0	$84,486	100.0	$90,432	100.0	$96,250	100.0

*Includes turnpike revenue bonds. †Includes all political subdivisions.
SOURCE: Institute of Life Insurance and Life Insurance Association of America.

Pacific Coast Stock Exchange Opens; S. F. & L. A. Exchanges Consolidate

SAN FRANCISCO, Calif.—The newly organized Pacific Coast Stock Exchange — an important and unique innovation in the history of U. S. securities markets—begins operations Jan. 2, in San Francisco and Los Angeles.

William H. Agnew

Frank E. Naley

San Francisco and Los Angeles Stock Exchanges, founded in 1882 and 1899, respectively, have been consolidated into the Pacific Coast Exchange, following Securities and Exchange Commission approval.

Under the consolidation plan each Exchange maintains its own trading floor, President, Executive Staff, and Board of Governors and operates as a division of the Pacific Coast Stock Exchange.

The Pacific Coast Board of Governors is composed of four representatives from each division: William H. Agnew, Shuman, Agnew & Co.; Ronald E. Kaehler, Warren Berl, Edwin P. Berl & Sons; and Richard P. Gross, of San Francisco; and Frank E. Naley, E. F. Hutton & Company; W. G. Paul, Leo B. Babich, Hill Richards & Co.; and Chester L. Noble, Noble, Tulk & Co., of Los Angeles.

Mr. Agnew was elected Pacific's first Governing Board Chairman, and Mr. Naley, Vice-Chairman. The chairmanship will alternate annually between the two divisions.

"Both trading floors operate as a single unit and are connected by a unique direct voice communications system allowing specialist posts on both floors to communicate instantaneously with one another and interchange quotations," Mr. Agnew said. "Floor members are able to execute orders on either division as if on a single floor.

"We feel sure," he added, "that the Pacific Coast Stock Exchange will provide a better and more active market place for this phenomenal, fast growing area. Orders of each division may be filled, where under the former individual operations they might never have met."

The combined membership totals 140, with member firms operating some 700 offices in key cities throughout the United States and abroad.

All the issues previously traded on the San Francisco and Los Angeles Stock Exchanges are now traded on the Pacific Coast Exchange. Under the unified trading system more than 500 issues of national, regional and local companies, including Hawaiian and Philippine Islands, are traded.

Vice-Chairman Naley disclosed that the Pacific Coast area is the source of an estimated 10% of the total volume of all registered national securities exchanges, and that the Pacific Coast Exchange "approaches with confidence its goal of becoming top regional exchange."

"Since their foundings, the San Francisco and Los Angeles Stock Exchanges have played important roles in supplying the financial lifeblood and sinews for the industrial development of the west and will continue this tradition as divisions of the Pacific Coast Exchange," Mr. Naley said.

Both divisions will maintain their usual trading hours of 7 a.m. to 2:30 p.m. (Pacific Coast time) daily, Monday through Friday.

A Clash of Economic Objectives

Trilemma, with no entirely satisfactory solution possible, in achieving simultaneously the three objectives of higher wages, stable prices and full employment, is pointed out by Guaranty Trust publication.

Idealistic economic objectives of higher wages, stable prices and full employment create a trilemma with no entirely satisfactory solution possible, according to the January issue of "The Guaranty Survey," monthly business and economic review published by Guaranty Trust Company of New York.

"The contradictions among the three objectives are partly inherent in the objectives themselves and partly due to practical shortcomings which might conceivably be corrected if the goals were more intelligently pursued," the "Survey" notes.

For example, rising wages need not force higher prices except when wage increases exceed gains in productivity and thus raise labor costs per unit of output. And, when wages increase faster than productivity, the added costs to employers may be offset by higher prices, but if this occurs it upsets the objective of price stability. The alternative of holding the price line would make production less profitable and thus threaten the objective of full employment.

Various solutions have been proposed, including the abolition of the right to strike and the establishment of a system of labor courts to adjudicate wage disputes.

"This solution would amount to direct governmental control of wages and would mark the end of economic freedom for labor and management alike," the Guaranty publication warns.

The "Survey" also attacks the belief held by some that the aim of price stability should be abandoned and creeping inflation accepted as the least of the threatened evils.

"This abject surrender of the objective of stable money is objectionable on many grounds," the article charges, describing such a policy as morally, politically and socially offensive.

"Political realities being what they are, the practical solution to the problem of conflicting objectives will probably be found in a compromise involving the partial achievement and the partial sacrifice of each," the "Survey" concludes. "Such a solution will fully satisfy no one, but it is perhaps the best than can be expected in a situation where government is asked to be all things to all men."

Blalack Adds to Staff

(Special to The Financial Chronicle)

SAN MARINO, Calif.—Doris L. Dell-Imagine has been added to the staff of Blalack & Co., 2486 Huntington Drive.

With A. M. Kidder Co.

(Special to The Financial Chronicle)

BRADENTON, Fla.—Joseph A. Frohock, Jr., has become affiliated with A. M. Kidder & Co., 436 Twelfth Street, West.

Direct Instead of Monetary Attack Upon Wage Inflation

By MURRAY SHIELDS*

Senior Partner, MacKay-Shields Associates, New York City
President, Management Economics, Inc.

After praising Federal Reserve credit restraint policy, as courageous, sound and reflecting the highest economic statesmanship, Mr. Shields advances several reasons supporting proposal that the Reserve should ease up credit a bit now, and urges that non-monetary steps be taken without delay to stop the most serious economic problem of wage inflation. Author suggests money supply be increased 3% in 1957, and commercial banks expand commercial and mortgage loans by $3 to $7 billion—aided by Federal Reserve purchase of government securities or the lowering of reserve requirements a notch; and refutes contention that a "little wage inflation is either not harmful or a 'good thing'. . . ."

It Is Time for the Federal Reserve to Ease Up

During the past two years, the Federal Reserve authorities have followed policies designed to check the expansion in bank credit. Several worthwhile purposes were to be served by credit restraint:

Murray Shields

At a time when demand for credit far exceeded the funds being generated through savings, it was essential that interest rates be permitted to rise to a level which would provide a more adequate incentive to save.

It became clear that if every family, every corporation and every municipality were to be supplied with all the credit they wanted to expand their expenditures, the inevitable effect would be to create demands for more workers than are available and for more commodities than could be produced.

The revival in confidence during 1954 was followed by a vast stock market rise in 1955 and early 1956, which threatened to get out of hand in a super boom. In such a situation, any evidence that the Federal Reserve would feed the fires of inflation with created credit could only have produced a "bubble on top of the boom" which would, of course, set the stage for a slump later on.

The full employment philosophy requires not only that every power of the government be used vigorously to prevent recessions from spiralling into deflation, but also that the mechanism of the Federal Reserve be used to prevent prosperity from degenerating into a wild boom—with its inevitable sequel.

The Federal Reserve policy of restraint was courageous, basically sound and reflected the highest economic statesmanship. And it is now clear that money could be tightened moderately without causing a depression, mass unemployment or any decline in the gross national product. By acting so promptly and with such moderation, the Federal Reserve has succeeded in topping off the boom without plunging the nation into a depression.

Reasons for Easing Up Credit Policy

However, there are some powerful reasons for suggesting that the Federal Reserve should now ease up a bit:

We have reached a level of interest rates and bond yields which will in time stimulate savings. Any further advance in such rates would have little effect on saving, but could have seriously disruptive effects on the whole money market structure.

The decline in bonds which thus far has been fairly orderly could, if the Federal Reserve fails to take action to relieve the credit stringency, easily develop into a rout which could threaten the financial integrity of some of our institutions. If panicky conditions were permitted to develop, the decline in bond prices would almost surely go far too far, do far too much damage, and have far too adverse an effect on confidence.

Unless the Federal Reserve eases up a bit, the money situation is likely to become much worse in the next few months and, if that were to happen, the probabilities are that within nine to 12 months thereafter the levels of business and employment would be affected seriously and needlessly.

The only feasible method of offsetting wage inflation is through increased productivity which requires prodigious investments in cost cutting equipment. Money should not be permitted to become so tight that business cannot obtain the funds needed for improving its cost position.

The Federal Reserve has gone about as far as it can in the use of monetary techniques. It is proper to prevent credit inflation from feeding the fires of wage inflation. But credit restraint will not stop wage inflation unless the restraining measures are so severe as to cause a serious business depression—which is, of course, an intolerable solution to the problem. It is not suggested that the Federal Reserve go back to aggressively easy money. That would, under the circumstances, be nothing short of ridiculous. What seems to be called for is merely that the Federal Reserve should ease up enough to assure that the money supply will expand by roughly 3% in 1957, and that the commercial banks will have the reserves needed to permit them to expand commercial or mortgage loans by $5 to $7 billion without being forced to sell more than a moderate further amount of their holdings of U. S. Government securities. This can easily be accomplished if the Federal Reserve purchases a moderate amount of U. S. Government securities in the open market or if the reserve requirements of the banks are moved down a notch.

What to Do About Wage Inflation

The most serious economic problem confronting the nation today is wage inflation which originates in—

The powers conferred on the unions in the legislation of the past, which have been used by them to demand and obtain annual increases in wage rates—including fringes—far in excess of any possible increase in productivity.

The failure of the pace-setting industries and individual business concerns to bargain aggressively enough to hold wage inflation in check, and

The failure of the Administration to use its public relations apparatus and its powers of persuasion in dealing with the union inflationeers to let the people—and the unions — know that it views the process of wage inflation with alarm.

If is not wise for anyone to take the view that a little wage inflation is either not harmful or a "good thing" as do some of our businessmen and economists. The fact is that a 3% annual rise in the price level compounds itself into a 50% erosion in the purchasing power of the dollar in the span of only 25 years. Any such development might well confront us with some serious difficulties.

The whole structure of private and public social security would be undermined. Either the recipients of fixed incomes would be dealt a body blow or the scale of benefits would have to be lifted at tremendous cost not only to the government but to business.

The investors of the nation might well be driven out of bonds into stocks for almost everyone would consider it nothing short of foolish to hold any bonds if the purchasing power of the income and the principal of such obligations were to be eroded. The effectiveness of our financial structure—which is the marvel of the rest of the world and indispensable to our future progress and growth—might well be undermined if fixed interest obligations were to become as unpopular as might well be the case if the process of wage inflation is not checked, and

The white-hot ideological war with the communists for the so-called uncommitted nations of the world demands that this nation adopt a posture not only of great military strength, but also of economic impregnability. The danger of wage inflation is well known at first-hand by most foreign nations. It is essential that we deal aggressively and immediately with the only threat to our economic progress and stability; namely, wage inflation.

Stopping Wage Inflation

Therefore, it is suggested in all humility that the following steps be taken without delay:

The highest officials in the Administration should, in public addresses and in their press conferences, demand unequivocally that the union leaders moderate their demands.

The Administration should appoint a distinguished committee of the nation's leading businessmen, bankers, economists, union leaders and educators to make a comprehensive study of the whole question of wage inflation, estimate its probable long range effects and devise means by which the wage spiral can be stopped.

The major business associations of the country should intensify their efforts to educate the public and their members concerning the iniquities of wage inflation and prepare programs designed to counter it.

*An address before the Executive Conference of the American and Foreign Power Co. System, New York City.

Orvis Bros. Announce Partnership Changes

Orvis Brothers & Co., 14 Wall Street, New York City, members of the New York and American Stock Exchanges, have announced the following partnership changes, which became effective Jan. 1:

Warner D. Orvis has retired as a general partner and will become a limited partner.

Edward W. Klussmann, Rudolph G. Nettel, Robert H. Clayton, Jr., and Edwin J. Fitzpatrick have been admitted to the firm as general partners.

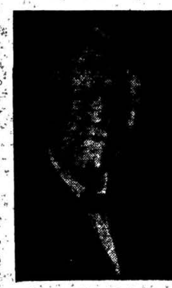
William F. Bohner, formerly a general partner has withdrawn from the firm.

Displacing the Typist

By ROGER W. BABSON

Possibility of reproducing the spoken word in wavy lines, phonetic words, or script writing is explored by Mr. Babson.

The greatest efforts will be made to develop a small safe reactor which will enable homes to use uranium for fuel instead of oil, or gas, or coal. Next there will be more use of electronics to take the place of workers in factories. This is known as automation. The use of electronics which interests me most is to have a machine into which I can talk and have writing come out the other end! There are now several successful dictaphone machines which transfer the voice onto "receivers" such as blank flat phonograph records, or the standard wax cylinders, or electronic magnetic tape. I am told that the Soundscriber Company is perhaps the most progressive, but all are doing good work as far as they go.



Roger W. Babson

All dictating machines, however, now need a pretty girl to take the material from the wax cylinder, or the flat record, or the electronic tape, and transfer it into written words on a sheet of paper by use of a typewriter. Great efforts, however, are being made to eliminate the need for this typist so that a person can dictate directly into a machine and have something come out **which anyone can read.** This would not require a typist.

Returning to Phonetic Spelling

Some years ago there was a fine hotel at Lake Placid, New York, which promoted the Dewey Phonetic Spelling. Mr. Dewey wrote all his advertisements, circulars, letters, and even menus with phonetic spelling. Whether he did it to amuse the guests or to promote the phonetic idea, I do not know. One thing certain is that for any of these revolutionary dictating machines to succeed, all children must be taught phonetic spelling. At the present time, three large corporations are trying to develop these new machines. Let me explain their three different methods of approach.

The International Business Machines Corporation is hoping to have its machine use the same alphabet we now use in letters. The Eastman Kodak Company may bring out a photographic method. Of course, the photography of still images was really a wonderful invention; then followed the photography of moving pictures. It is possible that these can be developed so that the spoken word will be photographed like a moving object. This is almost approached now by showing in television the expressions on people's faces; in fact, many listeners have the ability to read the lips of speakers. Photography experts will not be satisfied until they can photograph **thoughts,** as well as **words.**

The Electronic Method of Writing "Shorthand"

Of the different systems, the electronic system interests me most although it requires forgetting the present alphabet and returning to the use of script writing. First came the telegraph with the dash and dot system; then came the telephone and TelAutograph; then followed the electronic-phonograph and the magnetic tape. Few persons realize the wonderful electronic machine that is in their latest phonograph. When Thomas Edison invented the original phonographs, they were purely mechanical. Every spoken word made a wavy indentation on a wax cylinder, after which these wavy movements were exaggerated by levers which, at the other end, moved a thin metal diaphragm and faintly reproduced these spoken words. With a large horn the sound increased so that anyone, nearby, could hear them.

The modern phonographs, however, turn the waving motions which have been produced by the spoken words into electric waves which, through the use of tubes, are greatly magnified. Radio Corporation of America is already transferring these words into wavy lines which some experts can read. This would be the ideal system; but it would require the use of almost a new written script something like "shorthand" which could be taught to every child. Even this, however, is not so revolutionary when you think that the "score" of music is an entirely different "alphabet" which millions of young people of all nations have learned to read and enjoy.

With A. M. Kidder Co.

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Francis M. Sumner has become connected with A. M. Kidder & Co., 400 Beach Drive North.

Electric Utility's Future

By HERBERT R. FRANKEL*

Managing News Editor of "Electrical World"

Bright future electric power expansion is pictured by *Electrical World* editor in terms of added capacity, industry spending, industrial-commercial-residential energy kwh. sales, and appliance needs, involving entire power industry expenditure of $20.2 billion for 1957-1960 period and estimated to require $10 billion in new money by power companies alone. Mr. Frankel comments on the significance of institutional investors' entry into utility securities; notes need to increase rates due to creeping inflation; finds steam plant costs are holding very well, and utility operating ratio has been steadily declining; and states "we are now on a 'knowledge plateau' as far as nuclear power reactors are concerned."

Most of you have heard of Joe Smith. Even if he didn't get the Republican nomination for vice-presidency, he did become the symbol of the average American man; and he and his missus are the foundation of our American economy.

Herbert Frankel

Let's be realistic, all demands start with the millions of Mr. and Mrs. Joe Smiths which make up our population. Directly and indirectly every plant, factory, mill, farm, commercial establishment, or place of entertainment exists solely to clothe, feed, entertain, or protect them. As year by year the Smiths grow more demanding, our economy has to keep in step to meet them.

And the Smiths are a demanding lot. Each year they want bigger and better homes, more conveniences and more luxuries. In fact a higher standard of living all around is desired by the Smiths. And they want it with less work measured in both time and effort. The only way in which the Smiths can get what they want is through the use of more and more electrical energy.

Today in America the electric utility industry is keeping well ahead of the demands of the Smiths. At the same time it is lowering the cost of electricity to make it more economical for new household applications.

Growing Customers and Income

Today there are 168 million Mr. and Mrs. Joe Smiths and all the little Smiths. By 1960 the population will be around 179 million and by 1970, there will be an expected 213 million. Do you realize that our population is now growing every two years at a rate equivalent to the entire population of Chicago's metropolitan area?

The number of households will increase to nearly 51 million by the end of 1957, a 24% increase over 1956. By 1960 it is estimated there will be 55 million households and by 1970, over 69 million. The electric power industry is serving nearly 46 million residential customers today or over 99% of all the homes in U. S. By 1960 well over 50 million will be served and by 1970, nearly 64 million.

Consumer Disposable Income will be around $289 billion this year, 3% above 1956, $325 billion by 1960, and $463 billion by 1970. Now what is each Joe Smith going to do with this extra income? For one thing, he is going to spend more of it for electricity. His $78 bill in 1956 will be 31% higher by 1960 and 138% higher by 1970. Naturally he will use more kilowatt hours. But how will he use them? Better lighting is one use; more appliances, and year-round air conditioning and house heating are others. The all-electric home will begin to become a reality.

To keep up with the increased needs of the Smiths along with commercial and industrial demands, we predict that the electric utility industry will spend $4.3 billion in 1957, 14% higher than 1956. By 1960 we predict $5.6 billion and by 1970, over $11 billion. Spending between 1956 and 1970 will triple.

Added Capacity and Industry Spending

The resulting capacity additions likewise will show substantial increases "Electrical World" survey in September showed that an estimated 9.6 million kw. capacity will be added in 1957—a 3.2 million kw. gain over 1956's 6.4 million. This rate will increase so that by 1970 the industry will add capacity at the rate of 26.8 million kw. of which 2.4 million is estimated to be nuclear energy.

These spending estimates are for the entire power industry, and total $20.2 billion for the period 1957-1960. They are for power companies, municipal, state and power districts, cooperatives, and Federal agencies. We estimate that the electric power companies are spending at the rate of about 75% of the total industry. If this 75% is applied to the $20.2 billion, these power companies will spend $15.2 billion in the next four years. We estimate that about $10 billion in "new money" will be needed by the companies. The balance will come from internal sources.

This is a quick picture of the future expansion of the electric power industry. It was so rapid that it probably left many questions unanswered in your minds. Let me try to answer some of them.

Total Output Growth

(Q) How fast is the industry growing today?

(A) The industry is doubling every 8 to 10 years at present. Total energy kwhr. sales were up 12.1% for the first eight months of 1956 over the same period in 1955. This compared with 16.2% a year ago. The drop was largely due to leveling out of power demands by Atomic Energy Commission installations. However, residential kwhr. sales continued to increase and were up 12.1% this year against 11% a year ago. Peak load went to 94.8 million kw. in July, a 6.2% increase over a year ago. Total output amounted to 458.6 billion kwhrs. for the first 41 weeks of 1956, 10.5% above a year ago. Eliminating the AEC use, output was up 7.9% over the same period of 1956.

Future Sales Prospects

(Q) How will industrial, commercial and residential kwhr. sales fare?

(A) The industrial load has been increasing at an accelerated rate. Taconite plants will be big users of electric power. AEC is using over 50 billion kwhr. annually, over 10% of total sales for 1956. Aluminum and magnesium reduction use has now reached 32 billion kwhr. This is 6% of total sales. To all this we can add new uses for electric steel furnaces. Electric heating, heat treating, control devices, lighting, air conditioning, etc. are other loads that are being added at a fast rate.

Department stores, shopping centers, office buildings, and other commercial customers have accepted all-electric living. They have been installing brilliant lighting effects, complete air-conditioning, along with electric cooking, calculating machines, water and drink coolers and many smaller items. By 1970 we expect the average commercial customer to use around 32,000 kwhr., roughly 2½ times today's consumption. To show the tremendous growth in the commercial classification, we would like to cite the plans for an office building in that field—the Socony Mobil building across from Grand Central Station in New York. This building will have 1.6 million square feet of floor space. It will require 31 million kwhr. during the first year of full occupancy. This is nearly 20 kwhr. per year per square foot of office space.

The average Smith family spent only $170 for electrical appliances in 1955 as compared with around $300 for automobiles. This family spent $73 for electrical energy to operate the appliances, whereas the cost of operating a car was that much for one month. This illustrates the relatively small amount that goes into living better electrically. As the average Smiths' income reaches around $6,700 by 1970, we believe this family will spend $250 a year for appliances, $175 for electricity which in total will amount to 6½% of the Smiths' income. The use of electricity will go from an average of 3,000 kwhr. per year today to 8,000 kwhr. by 1970.

Nuclear Power and Steam Plants

(Q) What's ahead for atomic power?

(A) The immediate future of atomic power is clouded by political considerations. It is, however, clear that in the long run atomic power will definitely insure our keeping ahead of our ever-increasing power requirements. Public-power advocates will push for government-built and financed nuclear power plants. Some sincere minded individuals in Washington believe such a program is the only means we have of maintaining our prestige abroad and of getting our share of foreign nuclear markets. More utilities will band together in small groups on an area-basis and propose building large power reactors. Look for other electric utility companies to announce plans to build reactors in the 20,000 kw. class. The cost per kw. of the smaller reactor plants will be greater than for the larger reactors. However, the smaller reactors provide opportunity to gain operating and maintenance experience on more types of reactors for a given expenditure. We are now on a "knowledge plateau" as far as nuclear power reactors are concerned. We will not gain any substantial new insight into nuclear power reactors until several of them are built and operated. Nearly one million kw. of atomic power is scheduled for operations by the end of 1960. Then we'll be getting some operating data that will be of interest to all.

(Q) What is happening to the cost of steam plants?

(A) Costs are holding very well. An "Electrical World" survey of 54 steam stations in the U. S. in October 1955 showed than 50% of the stations cost $129 or less per kw. of installed capacity to build and 70% cost about $140 or less per kw. This is a bit below the per kilowatt cost of five years ago. Some reasons for the costs holding steadily are: larger generating units, higher pressures and temperatures, centralized control, and outdoor design.

This survey showed operating costs are also down. They averaged 3.1 mills per net kwhr. in 1955 as against about 3.5 mills in 1952. Of course, fuel was the largest expense totaling 83% of the total as compared with 80% in 1952. About 65% of the stations showed maintenance expenses of only 0.20 of a mill per kwhr. versus 0.25 mills in 1950 and 1952.

Operating Costs

(Q) What will happen to the utility operating ratio?

(A) As we predicted in 1952, there has been a steady decline in the operating ratio (fuel, salaries and wages, maintenance and other operating expenses to total revenue). In 1951 it was 48%. At the end of 1955 it was 44.4% and it is estimated it will be around 43.7% for 1956. The reason for this improvement is that fuel and salaries and wages took less of the revenue dollar because of more efficient and automatic operations. While further decreases may be expected, they will certainly not be as large as experienced from 1948 to date.

(Q) What is the future of house heating?

(A) Electric house heating is being stimulated by the growth in air conditioning because utilities need this winter load to balance the summer demand. Electricity as an economical heating source depends on the region—its climate, the price and availability of gas and fuel oil, and the insulation of the home. Electric heating is now being sold at between 1½c and 2c a kwhr. in areas served by the electric utility companies. Proper insulation of the house is important in keeping down the cost of electricity. Industry is becoming more and more convinced that the price consideration is not so important as it might seem.

The Heat Pump

The superior features of electric heat—100% utilization of fuel, cleanliness, room-by-room temperature control, elimination of central heating system, etc.—can sell it on its own merits. In fact many industry sales people point out that the step from oil or gas to electricity in terms of cost, is less of a jump than the one made from wood stoves to coal-fired central systems and then to oil and gas. These sales people feel that as both gas and fuel oil costs rise over the years, the heat pump will become a progressively more attractive installation. A home with electric cooling and heating will use 12,000 to 20,000 kwhr. per year. So you can see how important this load is.

(Q) How about Section 167 of the Internal Revenue Code (liberalized depreciation) as far as its application to electric utilities is concerned?

(A) There has certainly been talk within the Administration to cancel it for all taxpayers. There are in addition indications that at least the Federal Power Commission has some doubts about the need for liberalized depreciation in regulated industries.

Normalized Taxes

There have been four cases in which state commissions have ruled on the rate-making aspects of Section 167. Oklahoma and Indiana have ruled favorably—that is to let utilities normalize taxes for rate making. The other state, Pennsylvania, ruled adversely in two cases, wherein it ordered utilities to use actual taxes. Any disallowance to a utility to use normalized taxes under Section 167 will certainly require the utility to seek additional funds which otherwise would have been generated internally.

(Q) How about the regulatory picture of the future?

(A) If we assume that there will be inflation we are sure that the utilities will press for such rate levels before state commissions that will preserve the integrity of the investment. It should be made clear to the state public service commissions that institutional investors are becoming more and more of a factor as to utility securities. These investors will study the comparative regulatory treatment of the companies and will buy and sell the securities accordingly.

Predicts Creeping Inflation

(Q) How about inflation and how will electric utility securities fare in that event?

(A) With the continued increase in wages, particularly some of the automatic escalations that have been built into the labor contracts, and the continued expenditures for our defense, indicate to me that we will have creeping inflation for some years to come.

E. N. Strait, who was Chairman of Edison Electric Institute's Rate Research Committee, had this to say about the effect of inflation on utilities in 1948 which still holds true today: "In a period of spiraling inflation, one can maintain his proper economic position only by keeping his own income relatively abreast that of others. . . . It is up to management not only to find means of raising additional borrowed capital at reasonable going rates of interest but also to seek to do something to improve the take-home wages of the invested capital of its stockholders. This requires that the management seek, and the regulatory authority allow, rates which will result in revenue sufficient, in the aggregate, to yield reasonable returns measured by present economic relationships." Around this time the industry began asking for rate increases. From 1948 to the end of 1955 it received permission from state commissions to increase rates by over $300 million annually.

Future Appliance Output

(Q) Do people have all the appliances they want?

(A) The answer is an emphatic "no." Hotpoint Co. just recently released a study that shows that more than 170 million major appliances will be put on the U. S. market place in the next 10 years. Even after these appliances are on the market, Hotpoint estimates that in 1966 the percent of saturation of automatic washers will only be 49.7%; electric dryers, 31.2%; cabinet ranges, 29.2%; dishwashers, 19.7%; water heaters, 23.8%; freezers, 28.9% and room air conditioners, 30%. Television sales are expected to be 7.2 million units in 1956 of which 175,000 will be color. By 1961, 9.2 million will be sold annually, of which four million will be color. These are all Hotpoint estimates.

Possible 1957 Legislation

(Q) What about the Washington outlook?

(A) These bills will probably be introduced in the next session of Congress in January:

(1) Possible reorganization of the Atomic Energy Commission.

(2) Another Gore bill to build power reactors with Federal money. The original Gore bill would have directed the Atomic Energy Commission to build six plants of different design.

(3) Atomic Energy Commission staff is now talking about a direct subsidy for both public and private development in the power demonstration reactor program. They even talk about changing the law if necessary. The law says "no subsidy." However, under the power reactor program, the AEC has given some concessions and/or

*An address by Mr. Frankel before the Regional Convention of the New York Society of Security Analysts.

aid. One idea being discussed on "subsidy" is on a mills per kwhr. basis.

(4) Liability insurance for nuclear power plants.

(5) Tennessee Valley Authority bond financing.

(6) Legislation on some of the Hoover Commission recommendations on water resources and power.

Another Niagara bill is a possibility. Although this situation has been dropped into the Federal Power Commission's lap, Congress may hold back until after the FPC or the courts have ruled on the provisions of the 1950 treaty with Canada. A number of utility lawyers are of the opinion that FPC has no authority to issue a license.

(8) Another Omnibus Rivers and Harbors bill may be in the making. Last session of Congress passed this but it was vetoed by the President because a number of projects needed closer investigation. Bill called for $1.5 billion flood control, navigation, and beach erosion projects. It included $112 million for Columbia River projects.

(9) Freeze Federal Power rates of Southeastern Administration and Southwestern Power Administration at existing levels. However, the Comptroller General, in a study entitled "An Analysis of the Findings and Recommendations of the Comptroller General on the Federal Power Program" said: Under present power rates the SWPA and the power phases of the related seven Corps. of Engineers dams have incurred a net loss of $13,425,531 from 1943 to 1955 and for SEPA and its related dams the loss has been $12,096,483 from 1950 to 1955.

Let me remind you that there is hardly an industry whose future is as bright as that of the electric utility. The only thing we need is a fair opportunity which can come only from public opinion and regulatory understanding. You, the industry, and ourselves can do much to attain this end.

Elected Asst. V.-Ps. of Harriman Ripley Co.

Edward J. Morehouse and Proctor Winter have been elected Assistant Vice-Presidents of Harri-

Edward J. Morehouse Proctor Winter

man Ripley & Co., Incorporated, 63 Wall Street, New York City, investment banking firm, it was announced.

Mr. Morehouse has been a member of the Buying Department staff since July, 1946. He is a graduate of the University of California, Class of 1941, and was a Lieutenant in the U. S. Navy during World War II.

Mr. Winter has been a member of the Buying Department staff since March, 1946. He is a graduate of Columbia Business School, Class of 1941. During World War II, Mr. Winter was a Lieutenant Commander in the U. S. Coast Guard.

Two With Great Western

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — James A. Palmer and Sherwyn J. Turbow have joined the staff of Great Western Securities, 9635 Santa Monica Boulevard.

Taylor, Rogers & Tracy Formed

CHICAGO, Ill.—The consolidation of two Chicago investment firms, Taylor & Co., member of the Midwest Stock Exchange, and Rogers & Tracy, Inc., 33-year-old Chicago investment house, has been announced. The consolidated firm will be known as Taylor, Rogers & Tracy, Inc.

The announcement was made jointly by Ralph S. Longstaff, President of Rogers & Tracy, and William L. Taylor, Jr., President of Taylor & Co. The firm will be located at 105 S. LaSalle Street, conducting a general investment business as dealers, underwriters and distributors. "Our action is based upon a desire to offer a broader investment service to Midwest investors. We have a firm belief in the growth of the City of Chicago as an investment center and in the bright future of the Midwest Stock Exchange," said Mr. Longstaff and Mr. Taylor.

In addition to Mr. Longstaff as Chairman and Mr. Taylor as President, other officers will include Clyde H. Keith, Harold S. Bott, Thomas M. Hoyne II, as Vice-Presidents; also John V. Maloney, Vice-President, member of the Midwest Stock Exchange and floor broker for the firm. Walter M. Schmidt will become Vice-President and Secretary. Treasurer and Assistant Secretary will be Armand L. Primeau. Head Cashier will be Lennart Janson. Correspondents will be Sutro Bros. & Co., New York, members of the New York Stock Exchange; Smith, Hague & Co., Detroit, members of New York and Detroit Stock Exchanges; McDonald, Evans & Co., Kansas City; Taussig, Day & Co., and White & Co., St. Louis, all members of the Midwest Stock Exchange. Trading Department, headed by Mr. Keith, will include William O. McGregor, Paul J. Skepnek, Jr. and Ralph R. Randall. The Investment Department personnel will embrace Messrs. Harvey Wilson, Richard A. Sullivan, Harry N. Nelson, William Simmons and Forbes S. Eastman. Activity in municipal bonds will be directed by Mr. Thomas M. Hoyne. Messrs. Longstaff and Taylor will supervise underwriting and sales.

Enlarged air-conditioned space is being made available at 105 S. LaSalle Street to accommodate the expanded operation.

Mitchell, Hutchins Opens Memphis Office

MEMPHIS, Tenn. — Mitchell, Hutchins & Co., investment firm of Chicago and New York, has announced the opening of an office in Memphis, Tenn., effective Jan. 1, and the appointment of J. Stewart Buxton and William E. Buxton as resident managers. The two were formerly managing partners of E. E. Buxton & Co., which has been merged with Mitchell, Hutchins & Co.

With Sterling Secs.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Nolan S. Lewis is now with Sterling Securities Co., 714 South Spring Street.

Commerce Department Survey Indicates Good Prospects Ahead

Continued good production and sales rates for first half of 1957, assuming no shortage and international emergency, is predicted by Sinclair Weeks on basis of Commerce Department survey.

Secretary of Commerce Sinclair Weeks announced that a year-end survey by the Commerce Department's Business and Defense Services Administration indicates that most major industries, barring an unforeseen international emergency, anticipate continued good production and sales rates for the first six months of 1957.

Sinclair Weeks

In some areas this prospect will depend upon the availability of production materials, particularly certain forms and shapes of steel for which demand exceeds production capacity.

Surveys 25 Industries

Secretary Weeks said the survey was conducted by the 25 Industry Divisions of the BDSA, of which H. B. McCoy is Administrator.

The BDSA estimates follow:

Iron and Steel: Prospects for the steel industry remain good through the first half of 1957. Demand for almost all products is at record level and promises to continue in view of increasing needs of business and government for capital goods and construction. Steel plates, structural shapes, and some types of tubular products are in short supply and though the steel industry expects to step up its expansion program very substantially in 1957, the tight supply situation is not likely to be alleviated for some time to come.

Record steel requirements for machinery, construction, shipbuilding, oil and gas, and freight car building should keep the steel industry operating at capacity for the first helf of the year. Demand for sheet steel for the automotive industry and other consumer durables is also expected to be higher than in the closing months of 1596.

This high demand comes at a time when consumers' inventories are reduced and out of balance as a result of last summer's steel strike. While the three-year labor contract may remove part of the incentive to carry high inventories, an increase in steel stocks is likely to be necessary for efficient operations.

All of these factors combine into peak requirements which should result in a new all-time record steel production for the first six months of 1957.

Copper: The supply of refined copper for the first half of 1957 is expected to be adequate for domestic consumer demand, deliveries to government account, and for export, provided no prolonged work stoppage occurs. It is estimated that domestic consumer demand for the first six months of 1597 will be quite strong at the beginning of the period, tapering off in the Spring months with an anticipated decline in new housing starts.

Copper wire mills probably will expand their production slightly in the January-June period because of increasing power and communications requirements for wire. Brass mills, on the other hand, may experience a further drop in production due to a reduced rate of private non-farm residential construction. Brass and bronze foundries in the first half of 1957 probably will operate at a level somewhat below the comparable period of 1956 for the same reason.

Production of copper-base powder in the first six months of 1957 may approximate that for the same period of 1956.

Aluminum: Shipments of aluminum mill products and ingot to consuming industries are expected to reach new record levels in the first half of 1957, amounting to an annual rate of about 4.7 billion pounds. At the rate the first half shipments will be 8% higher than those of the comparable period in 1956. Total 1956 shipments are expected to approximate 4.23 billion pounds, or 6% more than those of 1955, the previous record year.

The aluminum supply situation in the first six months of 1957 is expected to be more than adequate, and a substantially greater capacity is in prospect for later periods as the result of new major expansion programs being carried out by the industry.

Construction: Some expansion is likely in the coming year in most major types of construction other than new private housing, with the total approximating $46.5 billion, or about 5% above the record volume of over $44 billion evident for 1956. The anticipated 1957 volume of new construction involves the assumption that the general level of economic activity will advance moderately, with employment continuing at record levels and personal income reaching a new high.

Because of the housing decline, private construction activity as a whole is expected to show only a nominal increase over this year's level, reaching a total of $31.4 billion in 1957. Public construction outlays, however, may rise as much as 12%, to $15 billion.

Prospects are that about 1 million new private non-farm dwelling units will be started in 1597, as compared with an average annual rate (seasonally adjusted) of 1.1 million for the first 10 months of 1956, and a 1955 total of 1.310 million.

Privately-owned public utilities announced expansion programs suggest 1957 expenditures of about $5.750 billion, with the most significant dollar increases being in natural gas pipelines and electric power facilities.

Private industrial plant construction will continue to expand in 1957, but at a slower rate than during the past two years, according to present indications. The $3.2 billion expected to be put in place on industrial bulidings next year will be an all-time high, exceeding 1956 in volume by 5%, and 1955 by 33%.

Consumer Durable Goods: The outlook for sales in consumer durable goods in the first half of 1957, though spotty in some instances, is in the main encouraging. Inventories of household appliances in the hands of manufacturers and distributors are about 25% greater than last year's, yet it is anticipated that sales in the next six months will equal or exceed slightly sales for the corresponding period of 1956. Optimism is high in the laundry equipment industry, where the prevailing opinion is for another record breaking year in 1957. It is estimated that unit sales of washers, dryers, and ironers next year will approximate 6,425,000, compared to 5,702,859 unit sales in 1955 and an estimated 6,227,000 for 1956.

Furniture sales and shipments broke records in 1956 and, despite some indications of possible deterrent factors in 1957, the opinion is prevalent that sales for the first six months of 1957 will be at least comparable with the volume for the corresponding period of 1956.

The flat glass shortage of 1955 and part of 1956 has been overcome by plant expansion and imports. A continuing high level of construction, increasing automobile requirements and new uses of glass products indicate that the high level of sales in 1956 will be maintained at least during the first six months of 1957.

Optimism is tempered with caution among the various industries in the personal durable goods area. In the jewelry industry, for example, it is expected that the total dollar volume for the first six months of 1957 may be slightly down from the comparable period in 1956. However, in the higher priced items such as semiprecious and diamond jewelry and the better lines of costume jewelry, 1956 indicates an increase over 1955 that is expected to continue through the first six months of 1957. Sales of precious metal jewelry and silverware, and the lower grade costume jewelry probably will be slightly under comparable sales of the first six months of 1956.

Toy sales in the first half of 1957 are expected to be at least 5% higher than those of the comparable 1956 period, with annual sales approaching a possible $1.5 billion. The fountain pen and mechanical pencil industry also is looking toward a higher business level in the first six months of 1957 than that of the comparable period in 1956.

Machine Tools: Shipments of cutting type machine tools in the period January-June, 1957, are estimated at $410 million, as compared to an estimated $394.3 million in the comparable period in 1956. New orders for cutting types are expected to approximate $440 million, as against the estimate of $505 million for the first half of 1956.

Shipments of forming and shaping machine tools in the first half of 1957 are expected to approximate $145 million, an increase of $2 million over comparable shipments in the first half of 1956. New orders for forming and shaping types of machine tools in the first six months of 1957 are estimated at $105 million, as against $131 million for the comparable period of 1956.

Textiles: Cotton piece goods prices have been weak, despite higher costs brought about by wage increases in the fall. Forward business has been poor and unless there is a decidedly improved volume right after Jan. 1, the first part of 1957 will be poor both from the point of view of profits and production.

Broad woven goods of man-made fibers as a whole have been depressed for some time, with the exception of fabrics utilizing the newer non-cellulosics, which have shown substantial gains in output. Nylon fabrics and rayon staples have been depressed for over a year. There are some signs of firming prices and slightly better demand in the coming year, but real relief probably will not come until there is a return to strong consumer demand for crepes and the like.

Woolens and worsteds appear to be a bright spot in the textile field, but here it is difficult to make a clear-cut appraisal. Excess productive capacity of the United States industry no longer exists, but the situation has at least permitted wool goods mills to raise cloth prices in line with higher wool costs.

Automobiles Trucks, Etc.: Production of 3,400,000 automobiles is anticipated for the first six months of 1957. This estimate is based on a total of 6,500,000 production for the year, with the first half producing 52%. By comparison, it is estimated that 1956 production will have approximated 5,850,000 automobiles.

Motor truck production for the first six months of 1957 is expected to be 3% below that of the corresponding period in 1956. Average monthly production is estimated to approximate 95,000 units, as compared with 98,000 units for the comparable period in 1956. First quarter 1957 will show the sharpest drop chiefly in the light and medium weight categories.

Truck-trailer production in the first half of 1957 will fall at least 5% below that of the corresponding 1956 period with the monthly average approximating 6,000 units as compared with 6,400 in 1956.

Throughout the automotive replacement parts industry significant capital expenditures are being made and dollar volume of production in 1957 is expected to exceed that of 1956 by about 7%.

Agricultural Machinery and Equipment: Trends indicate a modest increase in production and sales of farm equipment in the first half of 1957 over the first six months of 1956. Principal manufacturers feel that 1956 production and sales have hit bottom and that the future trend will be upward.

Construction Machinery: Production of construction machinery, equipment and repair parts in 1957 will equal the estimated $2 billion output of 1956 provided sufficient plate and structural steel, and nickel is available to the industry. Demand for all types, kinds and sizes of machinery remains firm.

Mining Machinery and Equipment: A slight advance in production and shipment of mining machinery in the first six months of 1957 over the last half of 1956 is anticipated. Here again the favorable outlook for 1957 depends on the continuing availability of heavy steel plate and structurals.

Oil Field Machinery and Equipment: Increased exports of crude oil due to the situation in the Middle East, drilling activity postponed in 1956 because of the steel strike and an ensuing decline in oil country goods supply, together with the normal increase in U. S. demand for petroleum products all point to a substantial increase in the number of wells to be drilled in the first half of 1957 over the corresponding period of 1956. Oil field machinery and equipment sales therefore are expected to be up approximately 15%.

Aircraft: This industry goes into 1957 with a backlog of orders in airframes and components estimated at about $19 billion—a one-third increase over the backlog at the beginning of 1956, and the highest peak since World War II.

Shipbuilding: Total tonnage of ocean going ships under contract in United States yards is expected to increase slightly in the first half of 1957 due to staturation of foreign shipyards, a world wide shortage of shipbuilding steel and recent interest in tankers. However, these combined factors are not expected to raise U. S. shipbuilding to 3% of the world's total contracts for the shipbuilding industry. Inland waterways barge and towboat construction is expected to continue at its present rapid rate due to the recent trend of heavy industries toward locating new facilities along the principal waterways. Construction in shipbuilding and in inland barges and tow-boats is hampered by lagging steel deliveries.

Railroad Freight Cars: A production level above 6,000 cars per month should be maintained in 1957, provided there is no difficulty in steel procurement. October orders for freight cars increased to 6,532 from 3,949 in September. October deliveries of freight cars numbered 5,666 cars, as compared to September delivery of 3,444. New locomotive units on order Nov. 1, 1956 totaled 728 units, of which 704 were diesel, 15 gas turbine, and nine electric.

Chemicals: Increased plant capactiy plus a continued high level of industrial activity, especially in those industries making extensive use of chemicals, indicate a volume of chemical manufacturers' sales of about $12.5 billion in the first half of 1957. This would represent about a 3.3% advance over sales in the first six months of 1956, and would establish the highest volume in the history of the industry for any semi-annual period.

Rubber: The rubber products industry is expected to have a larger volume of business in the first half of 1957 because of the increased production of automobiles, which will raise demand for tires and other rubber products for original automotive equipment. Continuance of industrial expansions will sustain and probably increase demand for rubber belting, hose, packing, and other industrial rubber goods, at least during the first six months of the year.

Lumber: Production during the first half of 1957 may be slightly less than the 18.8 billion board feet produced in the first six months of 1956, chiefly because of the anticipated decline in residential housing starts. The sharply reduced demand during the last quarter of 1956 will probably carry over into the new year.

Plywood: The softwood plywood industry established its 10th consecutive production record in 1956 with an output of approximately 5,190 million square feet, ⅜" basis, an increase of nearly 6% over 1955. The 1956 production level is expected to hold through the first half of 1957. Hardwood plywood production in 1956 was 8% below the comparable 1955 output, and a further decline is seen for the first half of 1957.

Printing and Publishing: Unprecedented industrial expansion in 1956 indicates that demand for printing and publishing services, particularly in the commercial printing field and printed advertising media, will continue to increase but at a more moderate rate through the first half of 1957. Newspaper advertising lineage in the first half of the new year is expected to increase 3 to 3.5% over corresponding 1956 lineage. Magazine advertising lineage is expected to move upward with a gain of 4 to 5%. Book publishers' sales appear headed for another record. Estimated 1957 sales will be around $825 million, a 10% increase over corresponding 1956 sales.

Pulp, Paper and Paperboards: An all-time high in paper and board production will have been recorded in 1956, with total output approximating 31.5 million tons or about 5% greater than in 1955. The first half of 1957 is expected to show a moderate tonnage increase over the 1956 level, and that production in the new year will run close to actual consumption needs.

Communications: The 1957 construction program of the operating telephone and telegraph companies will be the largest ever undertaken by the industry and is expected to approach the $3 billion mark. This will exceed by 19% the record 1956 program. The effect of this construction program will be reflected in an increase of production in the telecommunication equipment manu-

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Industrial Progress Means Automation

By MALCOLM P. FERGUSON*
President, Bendix Aviation Corporation

Bendix Corporation chief executive hails automation as the symbol for startling new living standards' improvement, and as a positive challenge to our whole economic system. Mr. Ferguson maintains (1) shift among workers will be "very minor" compared to past labor displacement experience; (2) it will create new opportunities for new business, the older worker, business cycle control, and military strength; (3) organized labor's unemployment fears seem almost absurd and should not create burdens to offset the savings from increased efficiency, or impair the incentive for technological improvements; and (4) large and small industries large capital requirements necessitate tax reduction, large markets, and skilled manpower.

The word automation is no stranger, I'm sure. But it is still new enough to require more positive definition. While automation, in a technological sense, readily reminds the engineer of the so-called "feed-back" principle and servomechanisms that automatically control automatic machinery, to the public at large automation has become a symbol for an exciting but frequently misunderstood process of change in our way of life.

M. P. Ferguson

You'll notice that in the title of this discussion, I've started right off by giving you a definition of automation: it's really a new work for productivity and, of course, industrial progess. A little later on, I want to discuss the future of automation and what it will probably mean to business and labor.

Let me give you three examples of different interpretations of automation that are current today.

To some writers, whose interest is concentrated mainly on the metal-fabricating industries, automation means simply the use of automatic transfer machines and equipment for moving work pieces from one machine tool to the next.

At the opposite extreme, some regard automation as a completely new approach not only to industrial processes but to problems of human organization in general. Finally, some popular writers use automation as a catch-word which they apply indiscriminately to all forms of technological innovation.

Three Types of Change

While we have in automation a new word that is not yet used with very much consistency, the more serious students of the subject have managed to reduce it to cover about three different types of very "progressive" manufacturing:

The first is the installation of new and more complicated machine tools which perform as one operation processes that had previously been performed as a long series of separate operations by a long series of separate machine tools each individually operated. The $2 million machine tool that is as long as a football field and performs 540 mechanical operations is an extreme example. But this continuing extension of machine functions should not surprise us.

Another type of innovation usually described as "automation" is the use of automatic "feedback" devices, or "servomechanisms" that observe the work that a machine—or, indeed, a whole factory—is doing and act upon those observations in automatically adjusting the operation so it will not vary from pre-set specifications.

A third type of change often discussed under the heading of automation is the use of electronic devices in administration and engineering to record, store, process, summarize and interpret information.

Automation, therefore, is not one thing but three or more separate things. The three aspects of automation are symbolized by the three types of equipment: mechanical transfer machines and apparatus, feed-back controls, and electronic computers.

Now, there has been much discussion on whether automation is simply a continuation of past technological trends or whether it is a new departure differing in its very nature from the developments of the past. Some people regard automation as merely a new expression for what we have previously called mechanization. I happen to feel that while there is some ground for this feeling, we should not be content to regard the two terms as synonymous.

This observation certainly can be made: greater productivity has been achieved in past decades either by better methods of doing a job with the old equipment or by using new and more efficient machines. Now the further step of having ever-more-complex jobs performed automatically is still in the historial pattern of continual improvement, even though the automatic feature gives it the dramatic effect of a great new departure.

Evolutionary Not Revolutionary

The industrial progress all through the past two centuries has been a process of learning to produce more and better goods with fewer people. Automation carries that forward perhaps more swiftly. But it is **evolutionary** rather than **revolutionary**.

We have had automatic machinery replacing hand labor, increasingly, for centuries. Now we have automatic controls more and more replacing human controls in the supervision and direction of these automatic machines. This suggests another definition of automation. It's **"the automatic control of automatic machinery."**

Control systems that have a "sensing unit" for monitoring a process and an "activation unit" for controlling the process or making necessary corrections, are not new in principle. But developments in electronics, with a time response of a millionth of a second, including new components such as transistors and printed circuits, have greatly increased the dependability and versatility of these systems. It is already apparent that electronics will be one of the great factors in the future of automation—so much that we may see the use of a new word for automation—why not electromation?

Automation can be applied to multi-purpose apparatus—even for relatively small runs—as well as the single-purpose machinery you find in a big production line for automobile engine blocks. We already have many automation applications in small quantity production of parts—in engineering calculations and in producing tools themselves.

Small and Large Automation

One authority makes a distinction between **automation in the small** and **automation in the large.** He cites the situation in the chemical industry. There, automatic controls do much of the processing, using the "feed-back" principle, but periodic analyses still may be made by technicians to make sure all of the controls and instruments are functioning correctly. This is automation but **automation in the small.**

But in a fabricating industry (fabricating metals, or textiles, or plastics) an automatic set-up might mean this: You take all of the sales figures you get from the field and you make automatically all of the necessary judgments: whether you have enough inventory or need more, where to order parts and in what quantity, how to schedule the machine shop loading that you have, how to schedule the flow of materials to the line, how to schedule labor and supervision . . . even how to schedule shipments and how to ship the products to the field. Then you want new instructions from the field, based upon customer reaction. You want to do all that with feedback, based on customers' reactions. That is **automation in the large,** as defined by one expert, and he claims it is certainly possible in principle.

Automation in the small is already an accomplished fact in many industries. The experts tell us that the way to get to **automation in the large** is not through just adding controls, instruments and transfer machines but through **rethinking.** This rethinking has been described as a constant awareness of the end functions of a product and a continual questioning of whether those functions can be performed better or equally well by a slight variation in the product, or perhaps a total change to a new model of the product, that can be produced automatically.

Too often discussions of automation give undue emphasis to the sociological problems it is supposed to bring.

In the first place, automation can occur only as fast as man can dream and devise the process and the machinery, and instrument industries can design and produce the necessary equipment. But while these industries may expand very rapidly, there are other factors affecting the change-over.

Labor and Capital Requirements

For example, automation will require substantially more output of electrical power. Nuclear energy for the production of electricity may play an important role in the development of automatic industry.

A more difficult problem is the large amount of capital required for this new equipment. The central importance of an adequate supply of capital was underscored in a recent speech by the Austrian finance minister. As reported in the New York "Times," he said in part:

"Fundamentally capital is formed when part of what is produced is not consumed. **There is no other way.**" Heavy taxes, therefore, could stall automation.

Another key consideration in progress toward automation is the tremendous demand it creates for skilled manpower. The new equipment cannot be designed or built until there are sufficient trained people to accomplish this first step—and no business is going to make an expensive change in equipment or methods without first making sure that the trained manpower is available and their skills upgraded as required.

But automation may also require the training of more people in some of the traditional skilled manual occupations. In other words, automation may not only present a problem of new skills but also, a quantitative increase in certain existing skills, such as those of machine tool manufacture and maintenance technicians for specialized equipment.

Examination of the determining factors in the progress of automation must include some discussion of the possibility of finding markets for the output of automated industries.

Large Markets

Marketing, and in particular advertising, can be viewed as the economic function of preventing the market from being cluttered by unbought goods. Incidentally, this condition is encountered **only in an economy of abundance.** Advertising is not needed very much where total demand usually outstrips total supply.

With an economy that is growing as a result of automation and other causes, it may be anticipated that we shall be able to consume a much greater volume of advertising and other marketing services.

However, of all the factors that will determine the speed and direction of automation, one of the most important is what people think about it.

"Wholehearted acceptance" of automation is most common among representatives of management. Many go so far as to say it is absolutely **essential** to attainment of national goals.

Ralph J. Cordiner, President of General Electric, testified at hearings held by the American Congress to explore automation and technological changes that the United States will require an estimated 40% more goods and services by 1965 though it will have only 14% more people in the labor force. Industry must be encouraged, he said, to invest in more productive machinery and methods. Faster progress in the newer field of automation seems to us to be the only available solution to this problem, Mr. Cordiner said, particularly in situations where we have exhausted the known economic possibilities in the more familiar field of simple mechanization.

Labor's Reservation Attitude

George Meany, President of the AFL-CIO, recently expressed an attitude very close to "whole hearted acceptance" of automation. He was quoted as saying, in part, that "automation, coupled with atomic power, will change the lives of all of us" and "labor sees no reason to fear the time when factories will run virtually on an automatic basis, with machines operating machines." But he went on to say that there will still be plenty of work to be done by people and, "if it becomes possible to put into effect a shorter work week to **maintain full employment,** let us promptly accept this opportunity to lighten the burdens of the American people."

The attitude of "acceptance with reservations" is more common among labor leaders. They agree that automation is a good development, but some of them insist that planned intervention—either through government or through collective bargaining—is necessary to protect people against the alleged "bad side effects" of automation.

There is real danger that these fears about objectionable corollary effects may seriously slow down automation by imposing an additional cost upon production. If such burdens offset the savings from increased efficiency, the incentive for technological improvements may be impaired or destroyed.

Most of those who adopt the attitude of "acceptance with reservations" may be thinking about what they have heard—whether right or wrong—about the original introduction of machine production in the late 18th and early 19th centuries. Actually, the standard of living in the early days of machine production was so low as to be almost inconceivable for a person of this century. This has been true of all previous history. There was a gradual improvement even in the earliest days of the new technology. The overcrowding which took place was due to rapid increase in population—itself a sign of improving welfare. Yet the myth that the first effect of the industrial revolution was to spread human misery still has a profound influence on attitudes toward technological advancement.

New Opportunities

Some authorities believe that automation will have its most striking effects, at least for the near future, in the office rather than in the plant. It should be noted that automation in the office **does not** mean that we shall do the same things with machines that are now done with human labor. The function of the office is to collect, store, interpret and report on **information.** With superior methods for doing these things, it is likely that business firms will collect and store more information, analyze it **better** and act on it **faster.**

Faster processing of information will have profound effects on all types of economic activity. It can contribute to leveling out business fluctuations which are, to some extent, a by-product of uncertain or incomplete information.

In the factory, automation will affect not only direct operations on the material being processed but, perhaps to an even greater extent, such auxiliary functions as inspection, assembly, materials handling, packaging and so forth. Automation applied to inspection or measurement may be the real key to process control and to automated assembly.

The industries in which automation is likely to make the most progress are (with some exceptions) those which already have reached an advanced state of technology. In some industries the improvement of manual methods may be just as fruitful a field for industrial progress as automation. Most non-manufacturing industries will not be radically affected. Agriculture, mining and vehicular transportation do not lend themselves easily to fully automatic operation (or automation in the large), though automated devices have a very real future, especially in transportation. Here we have a case of automating in the sense of new machines and new methods of handling, but not the fully automatic process.

There are ample grounds for assurance that automation is not a bolt of lightning due to strike us at some date in the near future. Change there will be, but at a rate that will allow us time for social and individual adaptation.

Change is not unprecedented in the modern world. Paradoxically, modern society can remain what

Continued on page 24

*An address by Mr. Ferguson before the 3rd International Conference of Manufacturers, sponsored by the National Association of Manufacturers, New York

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks got off to a dismal start for a new year this week after winding up 1956 as one of the more undistinguished years since the bull market started in 1949. The chagrin was mostly because there was no apparent flood of reinvestment demand on the immediate horizon.

New Year Starts With Caution

A rather widespread hope that the start of the new year would bring in sizable institutional investment was a bit illogical, actually. Caution has been evident among such investors for sometime. Furthermore, there was no need tax-wise to wait for the actual turn of the year because any purchases automatically would have been 1957 transactions for several sessions prior to the 1957 debut.

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The mixed showing in 1956 of the various averages—industrials modestly higher and rails definitely in minus territory—renewed the inevitable debate over whether the bull swing was finished. It even transcended speculation over whether the year-end rally was already history.

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Forecasts for the new year, consequently, were definitely guarded. The more widely held view was that, like 1956, this year would be one of relatively narrow price moves, as far as the averages are concerned, and a medium figure would be somewhere about 8% either way for the industrial average.

The chief comfort was somewhat on the negative side. That is that if this bull market is over, it would be the first time in history that one ground to a halt without widespread speculative excesses in the final phase and an ultimate explosion. In fact, the low for 1956 which was posted in the first month withstood half a dozen seemingly determined assaults and each time enough bargain hunting moved in to enable the floor to hold.

Expected Divergence

That there will be wide divergences in group action is one of the facts universally accepted. And some of the hunting around was definitely aimed at groups with little appeal up to here. One that staged a good comeback last year was the coal industry which, since the future is not discounted to any large degree in prices of the various issues, was considered as one with a bright potential for the new year.

Coal has about suffered as much from competing fuels as is possible at the moment, and overseas demand is growing. It adds up to prospects of better business with virtually all of the bad news now behind. Pittsburgh Consolidation was one of the more favored in the group, although the followers of such as Pittston, Island Creek Coal and Eastern Gas & Fuel were able to cite various advantages to back their favoritism.

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Lukens Steel, which was one of the truly spectacular performers last year, up from $42 low to better than $182 at year-end, and showing officially price improvement on the year of $137.37 per share, was able to nudge its peak higher to make an auspicious start this year. But steels as a whole had pretty much run out of followers. With operations at capacity already, there is little good news to discount.

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Enthusiasm for the steels was also chilled by the government's decision to deny rapid amortization for the industry expansion plans. Under normal depreciation, if the new facilities are not cutback, profits are bound to suffer. The alternative, new financing, would put that much more weight on the stocks since the market lately hasn't taken kindly to dilution through new flotations.

* * *

Oils, despite occasional selling in the international group, were still rather widely regarded as a not unattractive group for patient investors. The Suez situation is one of the keys in the oil picture but the fact seems to be that it will be months before any normal oil traffic through the canal can be resumed. Meanwhile, the surplus of domestic crude is being whittled away and increased production seems assured, benefiting mostly the important crude producers such as Amerada.

Foods Favored

Food shares were also held in good regard because of their defensive nature. One issue with a bit more to commend it as one likely to rebound is United Biscuit which has been expanding and modernizing busily, during which a dividend trim was decreed. Now with the major chores largely completed and profits starting to perk up, the issue is a candidate for better dividend treatment and ultimate return to the old rate that prevailed in 1953.

Suppliers to various industries such as National Supply and Halliburton Oil Well Cementing in the oil industry, Climax Molybdenum, Pittsburgh Metallurgical and Vanadium Corp. in the steel picture, were getting a bit more attention than has been the case up to here. The theory is that their customers will be operating at peak rates and they, too, will benefit. Moreover, they have not shared in the popularity that the various basic producers in these lines have so far.

* * *

Issues that have been well deflated to where they offer attractive yields of 6% or better are still bobbing up regularly in lists of favored issues. U. S. Plywood, in an industry that has had its problems, backed down to the low 30s after selling above 50 earlier in the bull swing and was available at a better than 6% yield, as one illustration. American Radiator, selling recently at 10 points under its 27 peak, was at a better-than-8% yield and Electric Auto Lite, a score of points under its 53 peak, was in the 6% bracket.

Changing Situation

Various changing situations also managed to pinpoint several issues. American Can, which showed a dip in earnings, was favored since prices were increased two months ago and are bound to leave their effect shortly. Johns-Manville, in the quality end of the list, was able to lift sales and earnings although for the residential building industry it was far from a banner year. Sterling Drug, which recently increased its dividend and Kroger, engaged at the moment in dropping marginal grocery stores and expanding its larger store operations, were also mentioned with fair regularity.

Aircrafts Selectively Favored

Aircrafts, while not overly vigorous marketwise, were still favored selectively because of their large backlogs that assure high-level operations for months to come. Something of a hedge even in this division is General Dynamics which, apart from its aircraft line, is deeply involved in the fields of missiles and nuclear ship propulsion, not to mention high fidelity equipment through its Stromberg Carlson division. Sales of General Dynamics for the first three-quarters of last year jumped more than a third, equalling in nine months the entire shipments for all of 1955. Profit did even better, jumping half again over the previous year.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Public Utility Securities

By OWEN ELY

Middle South Utilities, Inc.

Middle South Utilities is an integrated holding company owning all the common stocks of Arkansas Power & Light, Louisiana Power & Light and Mississippi Power & Light, and 95.27% of the common shares of New Orleans Public Service. The system furnishes electric service to over 1,700 communities, including New Orleans, Jackson, Vicksburg, Little Rock and Pine Bluff, and to large rural areas. Gas service is rendered to some 50 communities in Louisiana and bus service in New Orleans and vicinity. The population of the area is estimated at 3.9 million.

Farming is a basic industry in the Middle South territory, with larger farms replacing small ones. Income per farm has gained nearly 40% since 1950, over double the average U. S. increase, and there have been marked gains in the use of farm machinery, irrigation, soil conservation, and fertilizer and chemicals.

Middle South Utilities is benefiting by the rapid development of the billion-dollar petroleum industry in its area. In the calendar year 1956 an estimated $625 million was spent in the area for drilling some 5,626 new oil, gas and condensate wells, with 42,000 workers employed. In the 12 months period ended last July, $280 million in new petrochemical and refining facilities in the area were announced. At present some 12% of U. S. refinery and extraction workers are employed in Middle South, with a $300 million payroll. Eighty-five percent of chemicals derived from oil and natural gas are now produced in the Gulf Coast area. Refining capacity in the Middle South has increased 119% since 1946, over double the average increase for the U. S.

In the Tidelands area off the Louisiana Coast, the Mississippi River has deposited thick layers of prolific Miocene sands at depths practical for drilling. The U. S. Geological Survey estimates reserves of oil and gas in the Gulf Tidelands equal to about a third of U. S. onshore reserves. Seventy percent of the 900 wells drilled in the Louisiana Tidelands up to Jan. 1, 1956, were productive; 630 new wells were scheduled for 1956 production, three-quarters more than in the previous year. The Louisiana Tidelands are already producing 100,000 barrels of crude oil daily and by 1960 are expected to produce 400,000 barrels of oil and two billion cubic feet of gas a day.

This tremendous growth of the oil, gas and refining industries in Louisiana and adjacent parts of the Middle South, seems likely to insure continued growth and prosperity for the area. The paper industry, having gained a foothold in the South a few years ago, is also growing rapidly. Over 19 million trees were planted in Mississippi by pulp and paper interests in the past year, and about 60% of the industry expansion over the next three years is expected to be in the South. Another industry which is expanding rapidly is cement—over $35 million in new production facilities was announced or put under construction in the past year, almost doubling production capacity.

A new $52 million Kaiser alumina plant will be built on the Mississippi River between Baton Rouge and New Orleans. This 100-mile stretch of river is becoming known as the chemical basin of America because of the many new chemical plants which recently have been announced or are under construction in this area. A number of these will be in the territory served by Louisiana Power & Light Company.

Middle South Utilities' annual revenues approximate $159 million of which about 84% is derived from power sales, 10% from gas business and 6% from transit service. Electric revenues are 35% residential and rural, 25% commercial and 28% industrial.

Middle South's share earnings have shown moderate growth since the stock was placed in the hands of the public in 1950. Consolidated share earnings in that year were $1.82 and dropped 1 cent in the following year. By 1953 they had advanced to $2.06 but in the next two years declined to $1.94 for 1955. Dividend payments have increased each year, from the $1.10 paid in 1950 to the current rate of $1.60 (technically the latest increase, from $1.50 to $1.60, did not occur until the payment date Jan. 2, 1957).

Recent trends in share earnings have been affected rather sharply by changes in rates for one of the subsidiaries, Arkansas Power & Light. The latter in July, 1954 placed in effect a $3.9 million rate increase. Pending approval from the state commission, this was later collected under bond and included in Middle South's earnings. Despite the fact that the company felt that it was entitled to this increase based on earlier regulatory policies of the commission, the latter denied the request and was sustained by the state courts on appeal. The increase amounted to about 28 cents a share per annum on Middle South's stock, and when the case was finally disposed of, share earnings dropped from $2.26 for the 12 months ended May 31, 1956, to $1.98 for the period ending June 30.

However, this marked the low point. The commission relented somewhat by granting two rate increases aggregating about 16 cents, or a little over half the amount it had denied the company. Part of this became effective in July and the remainder in December. Thus earnings for the calendar year 1956 are expected to recover to $2.17. In the year 1957 rate increases will add an estimated 12 cents or more (a third rate case will be decided in a few months) and the company expects to add another 21 cents through gains in operations, making a total of $2.50.

These estimates are based on the 7,598,000 shares now outstanding. If market conditions are favorable, the company may decide to sell about 500,000 shares late in 1957, and if 1957 earnings per share should be calculated on the number of shares at the year-end this might reduce the estimate to about $2.35. However, it appears more likely that the new stock will not be issued until early in 1958.

At the recent price around 30½, the stock yields about 5¼% and sells at about 14 times estimated 1956 earnings, and 12 times the 1957 projected figure.

Carroll Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Donald D. Pullen has joined the staff of Carroll & Co., Denver Club Building.

Weeklev Forms Co.

WASHINGTON, D. C. — Henry F. Weekley is engaging in a securities business from offices at 3220 Connecticut Avenue, N. W. under the firm name of Mutual Funds Investment Associates.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Despite the funds that the Federal Reserve put into the banking system to tide business over the holiday season, indications point to a further tightening of credit and generally higher interest rates. These added funds were supplied in part to finance inventories for the season's trade, and in part to give the country sufficient "pocket money" during the time of heavy spending.

But there seems to be no likelihood that a further rise in the rediscount rate can be avoided soon, with the Government's 91-day bills commanding a rate slightly in excess of 3%. The rise in the rediscount rate, if it comes about, will have a tendency to increase all interest rates from the prime name figure to all higher gradations.

One Washington source holds that the supply of loanable funds will become so tight that possibly late in the 1957 first quarter the Reserve will be more-or-less obligated to step in and ease the pressure.

First, there is the government bond market. It has been in a quite steady decline pricewise, with yields at such levels as bond buyers have not seen in many moons. Consideration has to be given, so far as the bond market is concerned, to bonds in bank portfolios. The large metropolitan banks that have to be in short maturities because, after all, they are in central reserve or reserve cities and hence are subject to withdrawals by the country banks, are in a better position as to maturities than the country banks are. The latter concentrate in longer term bonds for the higher yields that the longs normally offer.

The big banks do not hesitate to sell some issues at a loss, utilizing the loss for tax savings, reinvesting in other maturities at a substantial discount, and, finally, getting par for these purchases as they mature. In the words of one bank comptroller, "it's money in the bank."

Then comes the cry from the home construction industry. In this case, the complaint is not so much the rate of interest charged as a goodly proportion of housing customers are not averse to paying the higher rates. The big complaint is more over the availability of mortgage money; and, while we are in a sellers' market certainly the lender who has credit for sale will look for the better deals, for example, those in which a substantial equity is present to back up the mortgage debt. But this state of affairs can well put a damper on house construction for a while and so tend somewhat to slow the economy.

Another facet that bears watching is the relationship between loans and discounts in bank condition statements, on the one hand, and liquid assets on the other. At an earlier date we pointed out that this relationship is becoming such at some banks that the examining authorities are taking sharp issue over it. After all, should the country's economy experience trouble it will not be well for the banks to have a heavy volume of loans on their books, relative to total assets, despite the fact that with the demand for accommodation so great the banks can afford to be "choosy" with the borrowers.

The examiners, when loans become unusually large relatively, suggest the issuance of new capital to back up the bank's loan position. But many of the country banks cannot readily raise new capital in an adequate amount, and the alternative is to cut down on loan volume. This means the calling of loans with borrowers having to go into the money market to bid against others for funds and so increase the pressure.

A case in point was the calling of a loan on which an insurance policy had been hypothecated. The borrower was borrowing the cash surrender value of the policy, in other words, his own money; but the loan was called (probably with others) to make funds available for commercial loans or to reduce the proportion of loans.

For some weeks before Christmas the Federal Reserve somewhat eased the money stringency by buying government obligations, thus increasing the supply of funds. But as already pointed out, this was only a temporary expedient to help finance the holiday needs of business. With the holiday season now past, it remains to be seen what the course of loan volume will be. Normally we should be approaching the season in which loan volume shrinks as a result of loans being paid off. But for several years the cycle has not behaved according to the accepted regimen.

The current announcements of huge expansion plans by a number of the larger corporations certainly will not make for ease in money, nor will the heavy government spending that is planned.

Kidder, Peabody to Admit Three Partners

Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 10 will admit William N. Loverd, Henry W. Spencer and Frank E. Voysey to partnership. Mr. Spencer will make his headquarters at the firm's Boston office, 75 Federal Street, and Mr. Voysey in the Chicago office, 33 South Clark Street.

With G. J. St. Germain

(Special to THE FINANCIAL CHRONICLE)

PEORIA, Ill.—James S. St. Germain has joined the staff of George J. St. Germain, 234 North Madison.

Velocity Inflation

By LEOPOLD KOHR

Associate Professor of Economics and Public Administration
University of Puerto Rico

Three inflationary causal factors are depicted by Professor Kohr who, instressing one of them, points out the inability of conventional monetary controls to cope with velocity inflation. Claims cash velocity is more significant than credit velocity, and that this phenomenon is to be found in underdeveloped rather than developed countries. Proposes improving attractive appearance of money to help reduce its turnover.

Inflation may be due to three causes. One is the increase in the *demand for goods* in general. Unless this is matched by a corresponding increase in supply, the added purchasing pressure must by necessity drive up the price level. We may therefore speak of *demand inflations*. They are characteristic of periods of rising real income levels. Since these in turn depend on rising production, demand inflations have a self-checking mechanism. As higher incomes drive up price levels, higher production furnishes the supply increases which keep rising price levels from running away. Most contemporary inflations belong to the category of demand inflations. Monetary measures have therefore little controlling effect over them.

Dr. Leopold Kohr

The second and historically best known cause of inflation is the increase in the *supply of currency*. As long as currency took the form of gold and silver coins, the price level would rise whenever there was a significant increase in the supply of precious metals. When note currency was introduced, it rose as a result of overexpansion of bank credit. Famous inflations of this category, which may be called *currency inflations*, were, for instance, the inflations which followed the Black Death in 13th century Europe, when an oversupply of currency resulted from the loss of practically half of its population, or the discovery of the new world, when an oversupply was caused by the influx of new treasure. Though the supply of currency ceased to be the principal cause of inflationary pressure when monetary controls became both possible and effective as a result of large scale use of credit currency, the public and quite a few specialists still think of inflation as caused mainly by excessive supply of currency. Hence the continued emphasis of monetary control measures even in the case of demand inflations.

Velocity Is Not Controlled By Federal Reserve

The third cause of inflationary pressure is an increase in the *velocity of money*. As a result, there may be such a thing as a *velocity inflation*. This represents a sub-category of currency inflations, but merits both a separate name and separate consideration. For in spite of the objective quantitative effect velocity has on currency, it is itself strictly subjective, psychological, and qualitative in nature. Whenever currency changes hands faster, the effect—other things being equal—is the same as if the material supply of currency had increased. The price level will rise. But because this rise is here due to a psychological factor on the part of the public rather than to the quantity of monetary resources available to it, conventional controls regulating currency supply such as are applied by the Federal Reserve System can then have no effect whatever. This the more so as the psychological determinant of velocity causes it to change not directly but inversely with changes in the supply of currency. If there are fewer bills, they will just circulate all the faster (other things remaining equal).

Of the three causes affecting price level changes, velocity changes are admittedly the least in significance. Moreover, in economies where the bulk of business is transacted by means of bank credit, velocity changes have a diminished aggregate effect also on this account. For the most volatile element susceptible to velocity changes is not bank credit but liquid cash. Yet, even where cash transactions represent only a minor proportion of total transactions, significant velocity changes might constitute a major problem by threatening to magnify inflationary pressures resulting from the two other causes to a point where they can no longer be controlled. This is the reason why in its terminal runaway phase every inflation is a velocity inflation.

But as velocity becomes generally the less important as an inflationary force the lower the percentage of cash transactions, it becomes the more important the higher this percentage. This means that as a problem of significance it is nowadays mainly confined to economies which are either not at all, or not yet fully, developed. For only underdeveloped economies continue to cling to the superstitious preference of transacting a considerable amount of their business in cash. On the other hand, this does not mean that, in the case of underdeveloped countries, increased velocity is the *principal* cause exerting inflationary pressure. It merely indicates that its role there is more critical than it could be in developed economies. For the very process of development produces also in underdeveloped countries, along with rising incomes, the typical characteristic not so much of a *velocity* as of a *demand* inflation.

The only question is, can anything be done about it? Can velocity be controlled? Considering its strictly psychological origin, it would seem that the answer is: No. And yet, the problem permits solution. True, of the three psychological determinants of the rate of velocity, two can not be controlled. One is a general loss of confidence in the value of money as usually results from loss of confidence in the authority of government. The other is a general loss in the hope of survival as usually results from incidents such as the famous plague of ancient Athens. But both are *technically* of minor importance since they occur only on those rare occasions when all seems lost anyway.

Improving External Appearance

However, it is different with the third and principal element influencing the psychology of faster or slower spending in *normal* individuals under *normal* conditions (other things being equal). For this element though psychological in its effect, is entirely objective in character, concerning not a question of confidence but of looks. It is the external quality, the appearance, of currency. And this *can* be controlled by the authorities issuing currency.

A velocity inflation of this kind or, to be more precise, an inflationary pressure caused in part by the velocity factor, makes itself felt at this moment, for example, in Puerto Rico. There, the physical quality of note currency has deteriorated to such an extent that a great many persons try to get rid of their money faster than they would if the external appearance of notes would be more handsome. And so far, little is being done about eliminating this unnecessary component of inflationary pressure. For even banks, instead of withdrawing badly used and abused bills, continue to channel them back into circulation until the dollar's delicate green has faded into dirty brown, and the paper has come to resemble unwashed rags. The only places where change is given in the form of shiny new bills are, parodoxically, the great tourist hotels. These are the very places where faster than necessary spending would do no harm, and where bad bills, derived from outside earnings, would add not to monetary velocity but to domestic income.

This should not be construed as meaning that the overall picture of inflationary pressure in Puerto Rico or other underdeveloped regions is dangerous. Where there is development, the upward pressure on price levels is not only unavoidable but a symptom of expansion. Nor should it indicate that the acceleration given to demand pressure by velocity threatens to turn a trend into a torrent. What it does suggest is that part of the inflationary pressure, like part of the foam in a mug into which beer has been poured with too great a velocity, reflects not the high level of ferment but the reduced level of substance held down by too thick a layer of sterile froth. And this should and could be sponged away by the simple device of circulating a currency of such attractiveness that it would incite not only the spending but also the holding instinct in people. To accomplish this, it is not necessary to revert to gold or silver coins of such splendid shape and durability as the Austrian *Maria Theresien Thaler*, whose decorative appearance seems to be contributing its share in keeping monetary velocity within reasonable limits in Ethiopia and other African regions. All that seems needed is that banks replace notes before they reach the point at which their velocity is increased by the sheer misery of their looks.

The extent to which the control of velocity might diminish inflationary pressures in underdeveloped countries depends on the extent to which these pressures are increased by it. This should not be too difficult to discover. The purpose of this article is however not to suggest surveys in this direction. For here is one case where corrective measures are hardly in need of guiding data. The purpose is to draw attention to a neglected aspect of inflation which, though embodied in the Quantity Theory of Money, has rarely been credited with a significance of its own. True, compared with the demand and currency influence on the price level, the influence of velocity, like the light of the moon, is largely a reflected one. But here and there, it does produce its own responses. And where it does, the recognition of its role may show the road not only to simple but possibly also highly effective tools of inflationary controls.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The First National City Bank of New York announced on Dec. 26 the appointment of T. Carl Wedel, Richard E. Thomas, Fred-

T. Carl Wedel   Richard E. Thomas

F. M. Satterfield   Alfred M. Vinton

erick M. Satterfield and Alfred M. Vinton as Vice-Presidents. Mr. Wedel is associated with the Transportation Department of the Special Industries Group, dealing with airlines, railroads, trucking, shipping and other carriers. Mr. Thomas assumes responsibility for the banking district covering the states of Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota and Wyoming. He succeeds John M. Potter who has been transferred to the Southwestern District. Mr. Satterfield has charge of Head Office supervision for the Philippines. Mr. Vinton has charge of Head Office supervision for Argentina, Uruguay and Paraguay.

* * *

Chemical Corn Exchange Bank of New York is organizing an Advisory Board on International Business, Harold H. Helm, Chair-

Harold H. Helm   N. Baxter Jackson

man, announced on Dec. 31. Believed to be the first group of its kind in the commercial banking field, it will consist of prominent industrial leaders from the United States and many foreign countries. N. Baxter Jackson, who is Chairman of the Bank's Executive Committee, has been named Chairman of the new Board. Others who have accepted membership to date include the following: Walter J. Beadle, Vice-President, E. I. duPont deNemours & Co., Wilmington, Del.; Antonio J. Bermudez, Director General, Petroleos Mexicanos, Mexico, D. F.; Hakon Christiansen, Deputy Chairman and Managing Director, East Asiatic Co., Ltd., Copenhagen, Denmark; George F. Ferris, President, Raymond Concrete Pile Co., New York; Dr. Mauricio Hochschild, Chairman of the Board of the Hochschild group of companies, Santiago, Chile; Øivind Lorentzen, Managing Director, A J Sobral, Oslo, Norway; John L. McCaffrey, Chairman, International Harvester Co., Chicago, and Henry B. Sargent, President, American & Foreign Power Co., Inc., New York.

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Guaranty Trust Company of New York announces the appointment of Howard C. Judd, Clifford R. Rohrberg, and Frank Sandstrom as Vice-Presidents. Mr. Judd is identified with the bank's Person Trust Department; Mr. Rohrberg with the Foreign Department, and Mr. Sandstrom with the Banking Department.

Guaranty has also appointed Louis F. Geissler, Jr., Joseph F. Myles, Paul J. O'Neill, F. Frith Pickslay, Jr., and Ellis A. Simmons as Vice-Presidents; Wesley L. Baker, Trust Officer; Thornton D. Strecker, Assistant Comptroller; Paul G. Norris, Assistant Trust Officer; Edward C. Pedersen and James E. Ryan, Assistant Treasurers; Thomas H. Maguire, Alfred H. Meyer, James F. O'Rorke, and Perry O. Sanford, Assistant Secretaries.

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Irving Trust Company of New York announces the promotion of Charles H. Lafferandre to Vice-President and Edgerton A. Pattison to Vice-President and Deputy Comptroller. Mr. Lafferandre, who has been with the Irving since 1939, is associated with the bank's Mortgage and Real Estate Division and has supervision of all bank premises. Mr. Pattison, who joined the Irving organization in 1919, was promoted from Assistant Comptroller and supervises the operation of the bank's Accounting, Tax and Insurance Departments in the Comptroller's Division.

Albert M. Braatz, Tax Department, John L. Cataletto, Mortgage and Real Estate Division, Jere H. Cavanaugh, and Charles W. Haggerty, Domestic Banking Division, Francis G. Martineau, Purchasing Department, William Repucci, G. Robert Truex and Nicholas Ustin, Domestic Banking Division, and John W. Welsh, International Banking Division, were promoted to Assistant Vice-Presidents from Assistant Secretary. Melvin L. Cooper and James E. Stubenrauch, Domestic Banking Division, Alden W. Hammond, Personnel Department, Maurice F. Harri and William H. Sibrava, International Banking Division, were named Assistant Secretaries.

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The directors of **J. Henry Schroder Banking Corporation** and **Schroder Trust Company of New York** have announced the election of Francis B. Bessenyey as Assistant Treasurer. Mr. Bessenyey joined the banks in 1953 and has been specializing in foreign exchange transactions.

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The board of directors of the **Commercial State Bank and Trust Company of New York** has declared an extra semi-annual dividend in cash of 50 cents per share on the capital stock of the company payable Jan. 10, to stockholders of record at the close of business on Dec. 31, it was announced on Dec. 20 by Jacob Leichtman, President. This is in addition to a semi-annual dividend in stock of 2% (or one share on every 50 shares held) on the capital stock of the company which was payable, and was paid, on Dec. 19, 1956, to stockholders of record at the close of business Dec. 5, 1956. Fractional shares will not be issued, but arrangements have been made to sell them for the stockholders or to buy for them additional fractions to make up a whole share, at $58 a share. An item bearing on the bank's plans to increase its capital appeared in our issue of Dec. 13, page 2514.

* * *

On Dec. 27 the **East River Savings Bank of New York** sold the 12-story office building at 225 Lafayette Street, New York. The building at Lafayette and Spring Streets was erected in 1925 for the **Italian Savings Bank**, which merged with the East River Oct. 29, 1932. The East River Savings Bank is taking back a long term lease on the banking quarters. The bank will continue an office on the ground floor at 60 Spring Street, including the mezzanine and safe deposit vault space. The Lexington Avenue subway has a station at Spring and Lafayette Streets under the building. The Italian Savings Bank started in 1896 in the immediate territory of this office. Once a residential neighborhood, the section has been changing in recent years and is now more industrial, than residential.

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A change in dividend period from a semi-annual to a quarterly basis starting Jan. 1, was announced by Alfred S. Mills, President of **The Bank for Savings in the City of New York**. Money deposited during the quarterly period will be credited with interest dividends computed from day of deposit. In addition money deposited during the first 10 business days of the quarter will earn dividends from the first of the month. The year-end dividends total 3% a year. This is the 328th consecutive dividend declared since 1819 when the bank opened as New York State's first Mutual Savings Bank.

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John M. Robert and Ross D. Hill have been elected Vice-Presidents of **Union Dime Savings Bank of New York**, according to an announcement by J. Wilbur Lewis, President. Mr. Robert is Officer-in-charge-of-general-operations and of personnel. Formerly Assistant Vice-President, in 1954 he also was elected Secretary, which title he retains. Mr. Hill has been connected with the Real Estate Department for many years. In 1943 he was elected an Assistant Secretary and in 1949 Assistant Vice-President. Both Mr. Robert and Mr. Hill have been with Union Dime for over 25 years.

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The Valley Stream National Bank & Trust Company of Valley Stream, Long Island, N. Y., which increased its capital in October from $693,000 to $762,300, has further increased it to $800,100 by a stock dividend of $37,800. The earlier increase, as a result of the issuance and sale of new stock, was indicated in our Nov. 1 issue, page 1861.

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The consolidation is announced of the **County National Bank of Middleton, N. Y.**, with common stock of $360,000; and the **First National Bank of Port Jervis, N. Y.**, with common stock of $200,000, effected under the charter and title of County National Bank, Middletown. At the effective date of consolidation the consolidated bank reported capital stock of $650,000, in 65,000 shares of common stock, par value $10 each; surplus of $1,000,000; and undivided profits, including capital reserves, of not less than $407,359.

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The Merchants National Bank & Trust Company of Syracuse, N. Y. increased its capital of Dec. 17 from $1,500,000 to $1,700,000 as a result of the sale of $200,000 of new stock.

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Richard J. Vogt resigned as President and Director of **Indian Head National Bank of Nashua, New Hampshire**, effective as of the annual stockholders' meeting in January, he stated on Dec. 28. He also resigned as President and Director of **New Hampshire Bank-Shares, Inc.**, the bank holding company with which Indian Head National Bank is affiliated through stock ownership control. "Differences with representatives of the controlling stock ownership of our bank, through the bank holding company, created conditions under which this action becomes necessary," Mr. Vogt said in a letter to the bank's stockholders. "Recent policies which have been responsible for the exceptional growth in this institution's stature and its service to the community," he added, "I am confident will be continued in the able hands of my fellow officers and the staff."

Sceva Speare, Chairman of the Board of Directors of the Indian Head National Bank, stated that the board of directors had regretfully accepted Mr. Vogt's resignation. The recent election of James E. Chandler as Executive Vice-President was cited by Mr. Speare as a step assuring continuity of present policies at Indian Head. Mr. Chandler joined the bank in 1953, and has recently held the position of Vice-President. "Under Mr. Vogt's leadership, the bank has made great forward strides," Mr. Speare stated, "and as a tribute to his outstanding services to the institution, the board of directors adopted a resolution expressing its appreciation for his valued services."

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Rockland-Atlas National Bank of Boston, Mass. announced on Dec. 26 the election of Charles H. Wardwell as a director. Mr. Wardwell is Executive Vice-President and Treasurer of the Continental Screw Co. and of the Hy-Pro Tool Co., both of New Bedford, Mass.

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The merger of the **Windsor Trust Company of Windsor, Conn.**, with common stock of $150,000, into the **Hartford National Bank & Trust Company, of Hartford, Conn.** with common stock of $10,000,000, was effected under the charter and title of the Hartford National Bank & Trust Co. on Dec. 14. Plans for the merger were noted in our issue of Oct. 18, page 1646. The Comptroller of the Currency announced on Dec. 14 that at the effective date of merger, the receiving association would have capital stock of $10,270,000, divided into 1,027,000 shares of common stock of the par value of $10 each; surplus of $12,270,000; and undivided profits, including capital reserves, of not less than $6,643,402.

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Kingsbury S. Nickerson, President of **The First National Bank of Jersey City, N. J.** announced on Dec. 26 the advancement of August H. Lages, Trust Officer, to Assistant Vice-President and Trust Officer of the bank. In his new capacity, Mr. Lages will continue to handle the administrative details of the Trust Department, working with Herbert S. Croft, Vice-President and Trust Officer. Mr. Lages is a graduate of the American Institute of Banking and of the Graduate School of Banking at Rutgers University, where he majored in trusts. His career in banking has been entirely with First National's Trust Department, which he joined as a messenger in 1935. After progressing through the various positions, he was appointed Assistant Trust Officer in 1948 and in 1950 was named Trust Officer.

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In addition to the regular semi-annual cash dividend of $1.50 per share, payable Jan. 2, to holders of record as of Dec. 18, the directors of the **First National Bank and Trust Company of Paterson, N. J.** have authorized the payment of another stock dividend, subject to approval of the stockholders of the bank at their annual meeting which will be held on Jan. 22, according to an announcement made on Dec. 27 by F. Raymond Peterson, Chairman of the Board. The payment of the stock dividend, amounting to $250,000, will involve the issuance of an additional 10,000 shares which will be distributed to shareholders on the basis of one share for each 16 shares owned. This action will increase the capital of the bank from $4,000,000 to $4,250,000, represented by 170,000 shares of the par value of $25 per share. Total capital funds, exclusive of reserves, as of the close of business Dec. 24, 1956 amounted to over $14,712,000.

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The promotion of Theron L. Marsh of New Providence to the post of Vice-President and Cashier of the **National Newark & Essex Banking Co. of Newark, N. J.**, was recently announced by Robert G. Cowan, President, according to the "Newark Evening News" from which we also quote in part:

"Mr. Marsh, a Vice-President since 1950, is succeeding to the Cashier duties of Gustave E. Wiedenmayer, Executive Vice-President, who has been serving in both capacities the last six years. Mr. Marsh, whose appointment makes him the bank's third ranking officer after Messrs. Cowan and Wiedenmayer, is taking over the same post that his father, the late Spencer S. Marsh, occupied at the bank from 1918 to 1940. The elder Marsh was Chairman of the board of directors when he died in 1944. Mr. Marsh has been with the bank since 1934, following his graduation from Princeton."

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A 2-for-1 stock split has been proposed by the directors of the **Hudson County National Bank of Jersey City, N. J.**, it is learned from advices to the Newark "Evening News" by a staff correspondant who reports:

"The proposal which involves a $1 million increase in surplus, will be voted upon by the stockholders at the regular annual meeting Jan. 8. The board also placed the bank's stock on a $4 annual dividend basis by declaring a $1 quarterly dividend. . . . Previous quarterly dividends were 75 cents a share. Under the stock split, the bank's 50,000 outstanding shares of $50 par value will be replaced by 100,000 shares of $25 par value. The bank's surplus, now totaling $2,500,000, would be increased to $3,500,000 by transfer of $1,000,000 from undivided profits. Since capital stock is worth $2,500,000, the bank's capital and surplus would be increased from $5,000,000 to $6,000,000 by the transfer, thereby increasing its lending power per individual account from $500,000 to $600,000."

* * *

Harris Trust and Savings Bank of Chicago, Ill., on Jan. 1 planned to take possession of the property it recently purchased at 123 West Monroe Street, it was announced on Dec. 26 by Kenneth V. Zwiener, President. The parking system presently operated at this location by Downtown Parking Stations, Inc., was discontinued as of Dec. 28. This property, which adjoins the Harris Trust Building to the west, was purchased last April. Construction work will start immediately to convert the building into four floors of office space. The quarters will be renovated and will have several openings into the present banking quarters. The bank also purchased in April, 1956, the 16-story building at 105 West Monroe Street. It also owns the property at 114-128 South Clark Street extending 80 feet on Clark Street from the 105 West Monroe Street Building to the alley across from the Field Building. It was on this latter site that the bank had originally planned to build an annex to its present banking structure. Since the additional properties were acquired, the bank has been reappraising its original building plans in the light of its long-range needs. Meanwhile, architects and engineers are working with the bank's building committee in the designing of a permanent structure to be erected on its Clark Street properties.

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It is announced that the highest bid for controlling stock in the **First National Bank at Brownsville, Texas,** has been submitted by Harry J. Mosser of Houston, the David C. Bintliff Interests of Houston, and Lloyd M. Bentsen of McAllen and Mission. Present owners of the block of stock, it is indicated, are American National Insurance Company of Galveston, the Moody Interests and others. Representatives of the insurance company opened the sealed bids in Galveston. The successful bidders indicated that they expected to consummate their purchase before Jan. 7. The Brownsville bank on Dec. 4 reported total resources of $17,878,000 with total deposits of more than $16 million. Advices in the matter also state that "the successful bidders said that they were attracted by the outstanding reputation of the bank and by the high calibre of its key management personnel headed by W. Ordell Roberson, President. They were further impressed by the bank's highly regarded international banking relations, especially in Mexico and other Latin American financial circles."

Included in the unsuccessful bidders for the stock were Shearn Moody, Jr. of Galveston and Clint W. Murchison of Dallas. Five bids were opened. Mr. Mosser and Mr. Bintliff are Houston oilmen and financiers. Mr. Mosser is President of Associated Oil & Gas Co. and Mr. Bintliff, Vice-President, among other interests. Both are substantial stockholders and directors of the **Bank of the Southwest.**

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The Pasadena-First National Bank of Pasadena, Calif., with common capital stock of $300,000, effective Dec. 7, was absorbed by **The United States National Bank of San Diego, Calif.**

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The Canadian Bank of Commerce on Dec. 26 announced the election of Frank M. Ross, K. St. J., C.M.G., M.C., LL.D., Lieutenant-Governor of British Columbia, to its board of directors. Mr. Ross is Chairman of the Board of Western Bridge & Steel Fabricators Ltd., International Paints (Canada) Ltd., Canadian Dredge & Dock Company Limited; President of West Coast Shipbuilders Ltd. and an official of various other companies. On Dec. 27 the Canadian Bank of Commerce announced the election of B. M. Hoffmeister, C. B., C.B.E., D.S.O., of Vancouver, B.C., to its board of directors. Mr. Hoffmeister is Chairman of the Board of MacMillan & Bloedel Ltd. and a director of Canadian General Electric Co. Ltd.

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The Merchandise National Bank of Chicago, Ill. reports a capital of $1,650,000, the amount having been increased to that figure from $1,500,000 on Dec. 11 by a stock dividend of $150,000.

International Crisis and U. S. A.

Marcus Nadler, Hanover Bank's consulting economist, analyzes the present international situation, ascertains the possible outcome of the present crisis, and weighs the potential effect upon the U. S. economy.

In the face of current international turmoil, any cut in taxes in the United States is "not only unlikely but actually may not be desirable," Dr. Marcus Nadler, consulting economist to The Hanover Bank, declared in a report on "The International Crisis," published by the bank.

Marcus Nadler

The revolts in Central Europe may force the United States to increase economic aid and extend help to those satellites which are endeavoring to free themselves from the Soviet yoke, Dr. Nadler points out.

"Not knowing where the Soviet leaders may strike next or how they will react to their decreased power in the satellite countries, the United States must maintain its own military strength and that of its allies," the economist adds.

In the long run, however, the events in Poland and Hungary could lead to "favorable political and economic results," for they indicate that international Communism has "reached the crest of the wave and from now on will recede," he states.

In an analysis of the Suez crisis, Dr. Nadler goes on to predict that the interruption in the flow of Middle East oil is likely to have an unfavorable effect on the U. S. economy.

Decrease in U. S. Exports

Despite the increased demand for American oil, the resultant pressure on Western Europe's gold and dollar reserves is bound to lead to a cut in exports from the U. S. to Europe and the Middle East, he asserts.

Coming at a time when productive capacity of some of our industries is outrunning demand, the drop in exports will tend to slow business activity in the U. S., the economist explains.

Dr. Nadler lashes out at the "machinations" of the Kremlin hierarchy who, he charges, were "to a large extent" responsible for the recent troubles in the Middle East.

"Communism thrives on the economic and political unrest which it can create in countries beyond its orbit," he says.

"Although considerable time may elapse before a rational approach to the Middle Eastern political problems can be made, a solution must be found in order to prevent further Soviet infiltration," the economist warns.

Conclusions

The following conclusions are offered by Banking and Finance Professor Nadler:

(1) Developments in Central Europe — notably in Hungary — have revealed in a glaring light the ruthlessness of Soviet imperialism. The fact that the revolts in Poland and Hungary were led by workers and young students of proletarian background is of particular significance, for it points up the inherent weakness and contradictions of the Soviet system.

(2) The ruthless suppression of the Hungarian people will weaken international Communism and affect the policies of neutralist countries. Russia will not be able to exploit the satellites as in the past. Concessions will have to be granted to farmers and workers, and this will cut into Soviet war potential. International Communism has reached the crest of the wave and from now on will recede.

(3) Unrest among the Red satellites must surely have an effect on the United States. Our own military strength and that of our allies will have to be maintained. Economic aid may have to be increased. Consequently any reduction in taxes is unlikely and, in the face of these developments, undesirable.

(4) While the basic problems confronting the Middle East are deep-rooted and complex, recent developments may be ascribed to a large extent to Soviet machinations. The Red hierarchy knows the importance of oil both to the producing countries of the Middle East and to Western Europe, and that any interruption in the flow of the vital commodity will retard the economies of all countries concerned. Communism thrives on the economic and political unrest which it can create in countries beyond its orbit. Although considerable time may elapse before a rational approach to the Middle Eastern political problems can be made, a solution must be found in order to prevent further Soviet infiltration.

(5) The Suez crisis will affect adversely the economies of the Middle Eastern countries and the Western European nations as well. The economies of both sectors are interdependent; their future depends on the uninterrupted flow of oil and on mutual cooperation. The under-developed Middle East must look to the West as the only important outlet for its oil. Unless substantial aid is supplied by the United States to finance the purchase of dollar oil, the gold and dollar reserves of the Western European nations will decrease. This in turn may lead to a tightening of foreign exchange controls, and, under certain conditions, to a devaluation of some European currencies.

(6) The overall effect of the Suez crisis on the United States economy is likely to be unfavorable. Despite the increased demand for American oil, the pressure on gold and dollar reserves in Western Europe is bound to lead to a cut in exports from Canada and the United States to Europe and the Middle East. Coming at a time when productive capacity of some of our industries is outrunning demand, the drop in exports will tend to slow business activity.

Brown Bros. Harriman Appoints McElrath

Thomas J. McElrath, Comptroller, who joined the firm March 1, 1909, has been appointed a Manager as of Jan. 1, it was announced by Brown Brothers Harriman & Co., commercial bankers, investment advisors and securities brokers, with offices in New York, Boston, Chicago and Philadelphia.

Gerard Rosler, Assistant Comptroller, who joined the bank in January, 1951, succeeds Mr. McElrath as Comptroller.

Mr. McElrath was made an Assistant Manager in 1943 and appointed Comptroller in 1948.

Mr. Rosler, formerly with American Sugar Refining Company, graduated from the College of the City of New York and attended St. John's School of Law. He is a certified public accountant, a member of the American Institute of Accountants and served in the U. S. Army in Africa and Italy during World War II.

Small Commercial Banks and Rate Policy on Savings Accounts

By WILLIAM J. FIELD

President, Commercial Trust Company of New Jersey

Recognized Jersey banker doubts increased savings deposit interest rate will increase savings; examines whether this increased rate will be harmful to medium size commercial banks; and suggests law limiting maximum savings deposit amount for any one person.

The larger commercial banks have been clamoring for permission to increase the interest rate on savings deposits and finally the governing authorities have succumbed and raised the interest rate to a 3% limit. The question is whether this is a conservative move and will it be harmful to the medium size commercial bank.

W. J. Field

Naturally every commercial banker wants to see his bank grow in size and many have lost considerable savings deposits because of the larger interest rates paid by savings banks and savings and loan associations and which rates of interest he cannot conservatively meet.

If commercial banks of this class agree to pay interest at the new rate, it is questionable if they can earn such rate and will they jeopardize the safety of their institutions?

Liquidating Position

Many commercial banks today are in a precarious condition from a liquidating standpoint. Generally they have a fair size portfolio of government securities purchased at par or higher, and are permitted to hold such bonds for statement purposes at the purchase price so long as they are amortized to the par value. Such bonds at book value pay a small rate of interest which is taxable, and not in any way sufficient to pay larger rates for savings deposits.

These bonds, from a liquidating standpoint, show a very considerable loss and such loss in many cases, if bonds were marked down to market value, would greatly reduce the bank's surplus.

A considerable part of the earnings of the medium size bank comes from mortgage interest and interest from consumer loans.

Many today have their limit of mortgage loans and have to sell from the mortgage portfolio to take care of commitments made to new borrowers. Again, if they have any leeway in the mortgage limit, they cannot afford to sell and take the loss on governments to provide money for further loans. Now these banks will be tempted to raise savings rates to meet competition and save their savings deposits, a condition that may get them in serious trouble.

Many Small Deposits

A proper savings deposit department of any bank should contemplate a large number of small accounts which would mostly be placed with them because of convenience and should shun large accounts which do not belong in a savings department. By building savings in this way the savings department would have more stability and would have a growth consistent with the location of the bank.

Many bankers today have developed a tendency to become dissatisfied with such normal growth as their community affords, and have developed a desire to encroach on the neighbor's territory by offering inducements which the poor neighbor cannot afford. This is a condition which the banking authorities should consider instead of catering to demands permitting such situations.

One way of increasing the money supply for business loans would be to have a law limiting the amount of savings deposits a savings bank, savings and loan association or a commercial bank could take from any one person. Such amount should be either $5 or $10 thousand. The idea that the increased rate will increase savings is questionable and will probably only result in stealing deposits from the bank that cannot afford the higher rate.

These situations will have to be watched very carefully by the examining departments to be sure that bankers in their desire to grow are not jeopardizing the safety of their institutions.

Exchange Offer to Colombian Bondholders Extended for One Year

Holders of Republic of Colombia 6% external sinking fund gold bonds, due Jan. 1, 1961; 6% external sinking fund gold bonds of 1928, due Oct. 1, 1961, and appurtenant coupons, are being notified that the time within which the offer to exchange these bonds and the appurtenant coupons, for Republic of Colombia, 3% external sinking fund dollar bonds, due Oct. 1, 1970, may be accepted, has been extended from Dec. 31, 1956 to Dec. 31, 1957.

The period for exchange of convertible certificates for 3% external sinking fund dollar bonds of the Republic due Oct. 1, 1970 in multiples of $500 principal amount has also been extended from June 30, 1957 to June 30, 1958. The exchange agent is The First National City Bank of New York, 2 Wall St., New York, N. Y.

Joins Sutro Bros.

(Special to THE FINANCIAL CHRONICLE)

KEY WEST, Fla.—Clarence M. Meehan has joined the staff of Sutro Bros. & Co., La Concha Hotel.

F. I. Du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Gael R. Georgeson has become affiliated with Francis I. du Pont & Co., 121 Southeast Second Avenue.

Joins Safeway

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — Franklin M. Pugh is now affiliated with Safeway Investment Corp., 64 North Court Street. He was formerly with Bache & Co.

Restoring International Trade

By J. H. CLIFFORD JOHNSTON

Chairman of the Directors, Kingston House, Ltd., London

A method designed to replace bilateral trade and exchange control with multilateral trade, and "bad" money with "good" money, which includes a clearing house tax on money and credit, and free gold circulation between clearing banks, is proposed by British writer anxious to restore the original Bretton Woods proposals.

In the years prior to the Paper Pound of 1914 the cornerstone of international trade was the gold sovereign. This, as it is not possible either to deflate or inflate a gold coin except by altering its gold content, was the world's safeguard against the most criminal of all political maneuvers—the devaluation of money.

Today the Bank of England holds in the Exchange Equilization Fund a hoard of gold coins which earn no revenue.

The London Clearing House, which has never been worked on a business basis, also earns no revenue and is a big expense to the 11 clearing bankers.

In these circumstances it is suggested that the Bank of England invests a few million gold coins in the purchase of the entire capital of a private company, which would issue a debenture thereon and buy the London Clearing House, thus, incidentally, providing it with a stable gold-coin working capital.

The Clearing House would charge the banks a poundage for its use and make a considerable profit, which would eventually reach the taxpayer, for the Treasury owns all the capital of the Bank of England. As the Clearing banks would recover all their capital expenditure and be paid for their services in future everybody profits, and the transaction could be completed overnight.

This, although a purely local operation concerning only the banks themselves, would lay the foundation for an important international development hinging on the circulation in the United States of a gold dollar as their local legal-tender standard money, which event would herald the outside world's long delayed escape from inflation.

The Lost Coin—A Gold Dollar

Two types of inflation are now rampant but the overseas species is the real danger. This began with the triumph of the Treasury over the City in 1914, followed by the abandonment of multilateral trading and the subsequent debasement of world money, ending in a hoard of gold coins being buried in Fort Knox.

It was to remedy this tragedy that the Bretton Woods proposals were formulated. It was then recognized that goods and services are the real trading currencies and that *local* coins and *local* paper monies are merely local petty cash and the legal tender only of the lands of the origin.

Accordingly a "Bancor" gold coin was to be adopted as the new common language in which all people could trade multilaterally free from the handicap of exchange control and the Babel of currencies.

What exactly happened to end these negotiations has never been revealed, but it is still possible to carry out the original proposals—which are an admirable answer to inflation—as they can be put into action here in a very simple manner on the initiative of the Governor of the Bank of England with the cooperation of the Deputy Master of the Mint.

Lord Amwell's recent commonsense proposals, which would place the London Clearing House on a profit-making basis by means of a poundage charge, bring to light the curious fact that when the Bank of England was nationalized nobody thought of nationalizing the London Clearing House as well, and so the nation reaped no financial advantage whatever from the purchase of the Bank of England shares.

Re-Organized Clearing

But is is still open to the Governor of the Bank of England to buy the London Clearing House, transfer international transactions to a separate department to be cleared through a World Bank account where this part of the "poundage" would form a sinking fund to liquidate external debts. Then if the Mint provides a re-organized "Clearing" with a standard of valuation in the shape of a stable working capital of "Bancor" gold coins to be used only for free circulation between the 11 clearing bankers themselves, the world would once again have a universal language in terms of which individuals of all races could trade multilaterally.

That Bogey, the balance of payments, would then vanish, as all accounts would be settled individually by bank entries in the books of the Bank of England, gold and dollar reserves would revert to petty cash requirements and the danger of bilateral trade between nations would be avoided.

The machinery is simple: a company is formed somewhat on the following lines:

The Royal Exchange (Limited)

Ordinary Capital, say up to 55,000,000 in Bancor sovereigns of the agreed gold content.

Debenture Issue, up to 55,000,000 pounds.

(1) The Bank of England subscribes the Ordinary capital and ear-marks the sovereigns for free circulation between the 11 clearing banks.

(2) The Company buys the existing London Bankers Clearing House as a going concern in exchange for the Debenture Issue and charges a poundage of one penny for the use of the clearing.

One penny poundage on £144,000,000,000 =	£600,000,000
Less 5% on £55,000,000 Debentures =	2,750,000
	597,250,000
Expenses and adjustments, say	7,250,000
Gross profit for the relief of taxation, etc.	£590,000,000

The poundage charge, like that on the issue of Postal Orders, is in essence a tax on the creation of money and credit, and can be increased or decreased at will.

A Bancor sovereign of 3.554684 grammes would be the convenient weight today. The old sovereign could then circulate locally as worth two Bancors and thereby avoid deflation.

A gold-dollar circulating in the U. S. A. would complete the picture.

Summary

Thus the Governor of the Bank of England can, by a simple change in the investment of the Exchange Equilization Fund, turn the present war of bilateral trading between nations as nations back to peaceful multilateral trading between individuals as individuals, substituting "good" money for "bad" in the ordinary routine of the day's work, and preventing yet another Chancellor of the Exchequer from knocking his head against the same old brick wall of "production for export" and forging worthless money, which his predecessors have been doing almost automatically ever since 1914.

Continued from first page

Outlook for Fiscal and Credit Policy

been a $1 billion excess of withdrawals.

The prospect for 1957 is that Treasury cash receipts will show only a fairly small further increase, possibly $2 to $3 billion, while expenditures are expected to rise by perhaps $4 to $5 billion. If these prospects materialize, the Treasury will still show an excess of cash receipts in 1957, but a smaller one than in 1956. This appraisal is based on the assumption that no important changes in tax rates will become effective in 1957 and that the international situation will require only moderate increases in outlays for defense and foreign aid.

Current indications are for the Treasury to reach a cash surplus of perhaps $10 billion in the first hald of the calendar year 1957 and a cash deficit of possibly $5 billion in the second half. According to these estimates, the July - December cash deficit in 1957 would be about the same as in 1956, largely because the acceleration of corporate tax payments, at present levels of corporate profits, adds about $1½ billion to tax collections in the second half of each calendar year.

Debt Management

In its debt management operations, the Treasury in 1956 was forced to rely exclusively upon the use of short-term securities. Investors had ample outlets for their funds; in fact, large demands for investment funds were pressing upon a short supply of savings, and few investors displayed any interest in adding to their holdings of Government obligations, except to those of the shortest maturity. Redemptions of savings issues exceeded sales.

The cash financing of the Treasury in 1956 aggregated about $7½ billion, concentrated in four separate financing operations in the last five months of the year, and all in the form of tax anticipation issues or special 91-day Treasury bills. Refunding operations totaled $31½ billion and the longest security offered was a 27-month note in March; otherwise, major reliance was placed upon the use of certificates or tax anticipation issues. Cash attrition on the March refinancing was small, amounting only to about 3% of maturing issues held outside the Federal Reserve banks. Later in the year, however, as much as one-sixth of maturing issues held outside the Federal Reserve were turned in for cash as pressures upon liquidity mounted.

The cash financing operations of the Treasury in 1957 should be of the same general magnitude as in 1956. Unless business activity eases, the Treasury will find it necessary to rely upon the issuance of short-term securities and will probably face continuing large attrition on its maturing obligations. Also, unless the terms of savings bonds are brought more closely in line with prevailing yields in the security markets, prospects are for mounting net redemption of savings issues. As in 1956, cash borrowings in 1957 are expected to take place in the second half of the year, although possibly a small amount of cash borrowing may become necessary prior to tax collection dates in the January-June period.

In addition to its cash financing, the Treasury in 1957 faces the refinancing of eight maturities totaling $39 billion. Of these, about $21 billion are owned by the Federal Reserve and therefore will doubtless be fully exchanged for new issues. However, a significant change in the general economic environment and a real easing of credit demands would be required to enable the Treasury to offer obligations other than of short term either in its refunding or in its cash financing activities in the year ahead.

Thus, in both the fiscal and the debt management area, the Treasury may find the going no easier in the year ahead. The Treasury in 1957 will not benefit from inflation as much as it did in 1956, and as long as investment activity continues to boom, savings remain in short supply and credit stays tight, it will be difficult for the Treasury to interest investors in offerings other than short-term obligations.

Open Market Operations

Credit policy in 1956 was restrictive; the credit markets were under pressure and there was a pronounced advance in all categories of interest rates during the year. Conditions in the credit markets eased slightly in the early months of 1956 but firmed sharply in March and April, when the discount rate was increased from 2½ to 2¾% by 10 Federal Reserve banks, and to 3% by the Minneapolis and San Francisco banks. This was followed by some easing in credit around midyear, but in August the market tightened again, and the discount rate was raised to 3% nationwide.

In November, the Federal Reserve began to inject substantial amounts of funds into the money market through increased open market operations. During eight weeks, some $1¼ billion was so supplied, which was far more than the amount furnished to ease seasonal pressures in the corresponding period of 1955. Since about mid-November, as a consequence, the statistical position of the money market has eased considerably and banks outside New York City have generally been showing net free reserves.

Reserve positions of New York City banks, however, continued fairly tight, and despite the large open market purchases, interest rates firmed appreciably in the last two months of the year to reach the highest levels in about a quarter-century. In part, this seems to have reflected the aftermath of the Suez crisis, especially during November, when foreign holders of short-term governments and bankers' acceptances lightened their portfolios in order to meet the drain on their dollar positions. Also, the supply of Treasury bills was increased by three special issues totaling $4.4 billion, including an unexpected sales of $1 billion in December, undertaken to enable the Treasury to redeem notes held by the International Monetary Fund so that the latter could advance funds to the United Kingdom.

Reflecting these pressures, the Federal funds rate has remained generally close to the discount rate. Moreover, the rate on Treasury bills went above the discount rate for two weeks in October and has remained above the discount rate uninterruptedly since late November. This has encouraged speculation that another increase in the discount rate was in the offing, although it must be noted that in other periods of tight money—such as in the last half of 1952 and the first half of 1953—the bill rate fluctuated rather consistently above the discount rate.

The recent large open market purchases probably do not represent a basic departure from an essentially restrictive Federal Reserve policy. In addition to offsetting normal seasonal pressures, the Federal Reserve probably desired to moderate the effects of liquidation brought on by the Suez crisis in order to avert disorderly conditions in the credit markets, especially as the "tone" of the government securities market in recent months has not been wholly reassuring. Chairman Martin of the Federal Reserve Board, while carefully avoiding any forecast of credit policy, stated before a Subcommittee of the Joint Committee on the Economic Report on Dec. 11, 1956, that "the year is coming to a close with demands still out-pacing savings, with personal income at a new high annual rate . . . and international disturbances that could add to further overstraining of our resources."

Credit Policy Prospects

The economic trends which led to the policy of credit restraint in 1956 are still in evidence as we enter 1957. Business continues active, employment is high, costs and prices are still rising, and the shortage of savings relative to investment demand persists. At the same time, however, it should be recognized that credit is tighter than it has been for a good many years. The sharp increases in bank loans in the past two years and the accompanying liquidation of government securities have importantly affected lending policies and the liquidity of the commercial banks, especially in New York City: ratios of government securities to deposits and of capital funds to risk assets have declined, and short-term government portfolios have fluctuated around the lowest levels in years. The liquidity of business corporations has also deteriorated; the ratio of cash and governments to current liabilities declined from 55% in mid-1955 to 46% by the end of September 1956.

Consequently, it will probably be neither necessary nor desirable for the Federal Reserve to maintain in the money market the same degree of tightness, measured by the volume of net borrowed reserves, as was the case earlier in the current business boom. In other words, it would appear that restraint upon bank lending can now be made more effective without as large a volume of net borrowed reserves as previously; a return to the levels of net borrowed reserves that prevailed earlier in 1956 does not seem in prospect.

With bank liquidity lowered, particularly among the money market banks, the "tone" of the market has become a factor of increasing importance in Federal Reserve operations. Assuredly the authorities wish to guard against repetition of the near-demoralization in the government securities market that developed in the second quarter of 1953; in such a situation, the Federal Reserve might find it necessary to step in and provide more funds than desirable from the point of view of general credit policy. Of course, credit policy must be alert also to changes in the international situation that may affect not only money market conditions but also the course of prices and production.

The question is now being raised whether the moment may have arrived for a shift in credit policy to less active and less effective restraint. Some observers believe the business boom is showing signs of tiring, and stress that time is required for a change in credit policy to make itself felt in credit markets and in the economy. It must be noted, however, that some of the uncertainties now being expressed with regard to business in the second half of 1957 coincide with a general pattern of thought that has persisted throughout the postwar decade; similar doubts were raised a year ago, when cutbacks in residential building and in automobile sales evoked concern among many economic forecasters. Furthermore, not all economists expect a business downturn to develop sometime in 1957; many foresee a sustained rise in Gross National Product throughout the year. The one point, however, on which agreement is general is that costs and prices will continue to rise.

Thus, economic developments in the course of 1957 could conceivably warrant an easing of credit, but the current business situation does not suggest that a basic change in credit policy is indicated at this time; with basic materials and labor still short, an easy credit policy would unquestionably be inflationary. Decisions on credit policy can hardly be made soundly and with assurance on the basis of prospects for prices, production and employment some 6 to 12 months distant. Rather, decisive influence must be assigned to recent economic developments, to the current conditions, and to the immediate outlook; these suggest that a basic shift from a policy of continued credit restraint would not be prudent for the time being.

It appears that the Federal Reserve will await the development of more definite trends before taking positive action toward either greater credit ease or greater restraint. The present situation may thus be similar to that of the early months of 1956, when the Federal Reserve followed a "wait and see" policy until the upsurge in bank loans last March, together with continuing strength in the economy, brought forth added tightening.

Central Republic Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Bernard K. Hanley has been added to the staff of Central Republic Company, 209 South La Salle Street, members of the Midwest Stock Exchange.

Joins P. De Rensis

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Carmen Di-Lorenzo is now affiliated with P. De Rensis & Co., 126 State Street, members of the Boston Stock Exchange.

George P. Granbery

George P. Granbery passed away Dec. 23 at the age of 81. Prior to his retirement Mr. Granbery was in the investment business in New York.

Britain's Prospects for 1957

By PAUL EINZIG

A satisfactory 1957 outlook for Britain, combining prosperity with stability, assuming decreased world tensions and restrained wage claims, is perceived by outstanding British economist after explaining why: (1) employment, industrial activity and demand for capital will continue at a high level; (2) "really effective disinflationary policy . . . [under] existing conditions . . ." is impractical; (3) disinflationary drive has produced a salutary effect on management. Possibility of a boom occurring as soon as oil shortage is overcome with resulting adverse balance of payment effects is advanced by Dr. Einzig.

LONDON, Eng.—Britain's economic prospects are closely linked with the international political situation. A forecast of the trend in 1957 depends, therefore, on the view we take on the political outlook. At the time of writing there appears to be reason for guarded optimism in this respect. The clearance of the Suez Canal is about to begin, and even though it seems probable that President Nasser will continue to make difficulties, no major crisis appears to be likely in the Middle East. There are bound to be periods of tension in the international political field, but it does not seem to be unreasonable to hope that the extent of such crises may not be such as to give rise to major economic difficulties.

Paul Einzig

On the basis of the lessons of the Suez crisis, it now seems unlikely that Britain will feel justified in carrying out the projected major cuts in defense expenditure in 1957-58. As a result of the rise in the cost of armaments, it will not be easy even to keep down the total of military spendings to their current level, unless some major political decisions are taken, such as a drastic reduction of the British armed strength in Germany or in the Far East. In the absence of any such difficult decisions, the combined cost of the development and production of nuclear weapons and of the maintenance of conventional armaments at a reasonably high level is bound to remain substantial.

Absence of any drastic defense cuts in 1957 is one of the reasons for expecting that employment and industrial activity in Britain will continue to run at a high level. The moderate setback experienced in 1956 was largely due to the Government's disinflationary measures and, towards the close of the year, to the economic consequences of the Suez crisis. This latter influence is bound to continue to operate for some time in 1957, owing to the curtailment of oil supplies to industry and to private motorists. On the other hand, the fall in consumer demand resulting from the uncertainty of the political outlook has already become reversed. Shortly before Christmas, retailers reported a revival of demand.

For Practical Disinflation Drive

As for the Government's disinflationary measures, instalment credits in the automobile industry have already been materially relaxed, in response to the warnings by leading members of that industry that, in the absence of encouragement of domestic demand, automobile exports would inevitably decline owing to the rise in cost per unit resulting from the fall in the volume of production. The spectacular expansion of the output of the motor industry in 1954 and 1955 was one of the main causes of the scarcity of labor and of the inflationary boom, and a curtailment of that expansion was considered essential in order to relieve the overload on the British economy. Yet the moment the motor industry began to show signs of contraction the Government felt impelled to reverse its policy. This attitude confirms the widespread impression that a really effective disinflationary policy is in existing conditions impracticable, because the moment it tends to become really effective the Government is bound to yield to pressure in favor of relaxing its measures.

Even though the Government's declared policy is still to check inflationary consumer demand, there is no likelihood of the development of a business recession through excessive disinflationary measures. The extent to which the credit squeeze has in fact curtailed production has been negligible. All it has done is to slow down the pace of expansion. It has certainly not checked the expansion of capital expenditure by manufacturing industry, judging by the figures for the third quarter of 1956 which have just been published. Investment in factory construction and equipment continues to increase, even if the rate of its increase shows signs of slowing down. The fact that building operations by industrial firms continued to expand during the third quarter foreshadows continued demand for capital equipment in 1957. British shipyards have orders in hand that will keep them busy for years ahead.

The question is, how a resumption of the boom, that is liable to occur as soon as the oil shortage is overcome, is likely to affect sterling? The dollar facilities arranged by the Government with the International Monetary Fund and the Export-Import Bank have provided adequate safeguards against speculative pressure. But no conceivable amount of such facilities would be sufficient if an inflationary rise in the cost of production were to outprice British goods from overseas markets. A balance of payments crisis would then compel the authorities to resort to more drastic disinflationary measures.

Changed Management Attitude

The change of attitude of British industrial firms is to some extent reassuring. They appear to have heeded the warning implied in the moderate setback of 1956. The inflationary mentality, as a result of which any additions to costs were cheerfully added to the selling price, has now given way to a more sensible attitude on the part of boards and managements. They have realized the importance of cutting costs by means of efficiency drives and, if necessary, by means of cutting profit margins. The disinflationary drive has certainly produced a salutary effect on the management side of industry.

It remains to be seen whether the trade unions, too, have heeded the lessons of the disinflationary experience of 1956. Several leading unions will have to decide early in 1957 whether to press their excessive wages claims or to accept the modest offers made by employers. If they should insist on their full claims, and if these claims should be conceded by the employers, then all the beneficial effect of the latter's economy drive would be wiped out with a stroke of the pen. Inflation would then resume its course and sterling would become vulnerable.

Fortunately the change of managerial mentality referred to above affects also the attitude towards wages demands. In the past employers were inclined to give way too easily, in order to avoid strikes or go-slow tactics. They preferred to add the higher wages to the selling prices of their manufactures, rather than risk a fall in the output at a time when the whole output was easily marketable at increased prices.

It seems probable that this easy-going and irresponsible attitude is now a matter of the past. Apart from the change of mentality that developed in 1956, the higher level of inventories, too, is likely to induce many firms to resist wages demands even at the risk of strikes. Possibly the realization of this by the unions will make the latter less uncompromising in their wages demands. If so, there would be every reason for Britain to expect 1957 to be a satisfactory year combining prosperity with stability.

Mackall Coe, Goodwyn Olds Merger

WASHINGTON, D. C.—William W. Mackall and Edson B. Olds have announced that agreement had been reached to consolidate the investment banking firms of Mackall & Coe and Goodwyn & Olds. The consolidated firm will operate under the name of Mackall & Coe with offices in the Woodward Building, 733 Fifteenth Street.

The new arrangement became effective Jan. 1, 1957. The partners will be William W. Mackall, William C. Coe, Thomas L. Anglin, Robert L. Soper of Mackall & Coe, and Edson B. Olds, J. Woodward Redmond, Charles C. Ailes of Goodwyn & Olds.

The merger combines two local firms that have had a long and prominent role in Washington investment banking activities. Both organizations have been well known and highly regarded for many years, having participated in the financing of Washington's outstanding utility and industrial firms and in the distribution of the securities of nationally known organizations.

The partnership of Mackall & Coe was founded in 1938 to continue the investment business which was established by William W. Mackall in 1930.

Goodwyn & Olds, presently located in the American Security Building, was founded in 1933. In addition to their regular underwriting and brokerage business, the firm negotiated the purchase of a number of local companies, including the Union Trust Company and the United Services Life Insurance Co. The late Wilfred L. Goodwyn, Jr., who died June 8, 1956, was a co-founder of the firm. In addition to serving on various boards of directors, he devoted much of his life to charitable activities and organized the Blood Research Foundation.

The firm of Mackall & Coe holds membership in the New York Stock Exchange, the Philadelphia-Baltimore Stock Exchange and an associate membership in the American Stock Exchange, with a direct wire to their correspondent, Clark, Dodge & Co. in New York.

With Remmele Johannes

(Special to THE FINANCIAL CHRONICLE)

GRANVILLE, O. — Charles G. Gaddis has become associated with Remmele-Johannes & Co., 118 East Broadway.

Barnston, Haas, Jr. Sutro Co. Partners

SAN FRANCISCO, Calif.—Alfred Barnston and Albert Haas, Jr., account executives with Sutro & Co., 460 Montgomery Street, the West's longest established investment firm, were admitted to general partnership Jan. 2.

Alfred Barnston Albert Haas, Jr.

Mr. Barnston joined Sutro & Co. in 1950 as a Registered Representative after being in the Analytical Department of Carl M. Loeb, Rhoades & Co., New York.

In addition to his investment duties, Mr. Barnston has been active in presenting the New York Stock Exchange educational program to schools, fraternal organizations and clubs.

Mr. Haas, graduate of Stanford University, entered the brokerage business after eight years as an executive in the industrial field. Upon joining Sutro & Co., in addition to his duties as an account executive, he supervised the firm's advertising and public relations activities.

During World War II, Mr. Barnston served as a Chaplain with the Marines and in the Navy. Mr. Haas saw three years service at sea, retiring as a Lieutenant.

Blair & Co., Inc. to Be N. Y. S. E. Members

Blair & Co., Incorporated, 44 Wall Street, New York City, on Jan. 10 will become members of the New York Stock Exchange. Officers of the firm are Joshua A. Davis, Chairman of the Board; Emmons Bryant, executive Vice-President, Secretary and Treasurer; Oliver De G. Vanderbilt, 3rd, Executive Vice-President; Lester Osterman, Jr., the Exchange member, Herbert L. Hutner, Edwin A. Bueltman, George E. Nixdorf, John W. Finley, George Geyer, Richard G. Lowe, Franklin Maroney, D. Finlay McFae, Donald E. Nichols, E. Cummings Parker, Willis J. Richardson, Charles H. Truman, Robert H. Warren, John M. Whitbeck and Ores E. Zehr, Vice-Presidents; Gregor T. Goss, Ralph Jones, and Stephen C. Reynolds, Jr., Assistant Vice-Presidents; Joseph F. Hughes and Richard C. Lawson, Assistant Secretaries; Frank J. Harrigan and Robert J. Mackenzie, Assistant Treasurers; and Cornelius G. O'Brien, Assistant Treasurer and Cashier.

Madison Investors to Be Formed: NYSE Firm

Madison Investors, Inc. will be formed on Jan. 10. Officers of the new firm, which will be a member of the New York Stock Exchange, are Ephraim Propp, President; Baron J. Gordon, who will hold the exchange membership, Vice-President and Secretary, and Herbert R. Behrens, Vice-President and Treasurer.

With Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Donald K. Johnson is now affiliated with Hornblower & Weeks, Penobscot Building.

Social Insecurity

By WALTER SONNEBERG

The pitfalls and limits to social security are probed by Mr. Sonneberg, who decries plunging deeper into a government program involving unknown and mushrooming costs — the opposite direction from obtaining "real security." Writer cites Brookings Institution's observation of the consequences of our social security system, and warns that it adds to our trend toward Statism.

How much security does the Social Security program really offer? Would further liberalization—including more people at a lower age limit and higher benefits—add to or subtract from security?


Walter Sonneberg

A case recently coming to my notice confirmed a suspicion that by undertaking to cover too much territory, without due consideration for implicated economic and moral values, the program is by way of defeating its purpose. A recently retired pensioner, who took a job with a broker after retirement, told the writer he expected with his pension, social security, and present salary, to draw about $600 a month.

Sweeping liberalization of Social Security benefits — politically instead of economically engineered —brings out into the open the ill-advised features of proposals involving radical departure from the sturdy, independent spirit from which we derive our reputation. Not only do the proposals threaten the solvency of the security program but add increasingly to the already heavy tax burden and hasten the trend toward Statism.

Poor Social Security Advice

Politicians are primarily concerned about the vote-getting aspects, and professional economists seldom agree on the premises, so the problem of security is left on the lap of business leadership "responsible for the preservation of American free enterprise." Unfortunately, however, many business leaders are more interested in the solvency of their business—the problems of taxes, debt and profits—than in the future of the social security program. Which puts the issue in the hands of the people, who, unless correctly and fully informed, cannot make wise decisions.

The delusion of "union panacea of ever higher wages to create purchasing power" appeals to many. How does one adequately demonstrate the futility of social security liberalization, based on purchasing power fallacies, unless one can spread the record for all to see? This preoccupation with purchasing power in disregard of the source and use of purchasing power favors "built-in" inflation and generates a climate in which fiction takes precedence over fact. The magic of government money, collected through taxes, challenges the judgment and overrides the prudence of ordinarily sensible men. This despite the obvious fact that the government has not a dollar to spend that it does not take from somebody else.

Limits to Social Security

Without condemning the pattern or the purpose of the social security program it should be patent to any one reviewing all the circumstances that we are by way of putting real security on the skids by trying to make social security cover too much ground, trying to take on obligations that individuals should assume for themselves.

This was recently emphasized in Congressional hearings on the liberalization proposals. Secretary Folsom warned that there is a limit to tax increases imposed on the people to finance social security programs featuring every possible need. "A future tax burden on the people that might endanger public support of the system we are trying to uphold." Also, a tax on character by selling rugged individualism down the river.

Spokesman for one of the big insurance companies advised the Senate Finance Committee of the tremendous financial burden ahead through proposed liberalization. He cited for the 1940-52 period the increase of 7.4% in life expectancy at age 65 for men and 12.5% for women, thus indicating a call for an upward instead of a downward age revision in assigning benefits.

Plunging the Federal Government deeper into a program involving unknown and mushrooming costs merely because of voter appeal does not commend itself to friends of progress.

A reversal of approach to security is definitely indicated if we want to keep enterprise free and prosperous. Along with the technical know-how we have not yet acquired a method for making these vast productions finance themselves, make their own markets, through their own operations. In the absence of which acquirement we flirted around with financial alliances — credit easements, monetary manipulations—temporarily relieving embarrassments without achieving sound principles for keeping the system going on its own motive power. The old saw about the man who makes a better mousetrap having the public beat a path to his door has been superseded by the promoter and advertiser who beats a tom-tom to the tune of millions of dollars for unworthy wares.

Real security lies in getting an economy, now geared to government spending and inflationary influences away from its precarious affiliations, into the realm of honest thinking and reasonable action.

In response to New Deal philosophy, liberalization of social security has already given a taste of its snowballing effect. An investigator found that the Old-Age Assistance program, financed largely by the Federal Government, grew beyond expectations. As the social security "umbrella" was opened wider it was thought the old-age assistance would decline. "But it has been increasing ever since." The number of those receiving benefits increased from 780,000 in 1946 to 6,000,000 in 1955.

Receipts vs. Premiums

So many are crowding under the security umbrella on one pretext or another that in the matter of disability alone costs threaten to get so high that the Government will have to do something to finance disability.

The big money romance must bear its share of blame for the diversions from reality, the application of inept financial devices. Economic historians demonstrate that the impetus of war spending, not the industrial system's activities in creating its own markets, largely accounts for the present prosperity wave.

The record of successive attempts to keep the prosperity wave waving is revealing.

The pump-priming farce, once played to a full house, now is applauded by a dwindling audience; gold, at one time a star performer, does not get much attention today; cheap money and inflation accompanied by debt and taxes is losing favor; manipulated interest rates seldom pan out as planned. Where there is plenty wild money around raising rates becomes only relatively effective.

As a result of these combined circumstances the social security program is a poor substitute for an industrial setup calculated to provide security without recourse to artificial respiration. Peter Drucker in "the New Society" noted how we have the technical leadership, "but have not developed the social and political institutions to go with this new technology."

A few years ago the Brookings Institution tagged the social security system as "thoroughly unsound and financially reckless." They demonstrated that it saddles future generations of Americans with a tremendous commitment for benefit payments in addition to other costs of government.

In final analysis a too ambitious coverage, together with fraudulent claims and habitual chiselers, and artificially subversive financial approaches involve mushrooming obligations and a prohibitive tax bill for future Americans, including a bill of sale for free enterprise.

Henry Hazlitt — "Will Dollars Save the World"—remarked that as long as we are plagued by false theories we will be plagued by false remedies.

Summarizing the $12 billion farm subsidy program, an observer called the mess "a grim example of what the government can do *to* you in trying to do something *for* you." Those who employ tactics to keep security alive help dig security's grave. In the matter of banking social security funds it has been publicly stated taht in place of cash, the Government puts its own IOU's—government bonds—into the reserve fund. Instead of an asset, therefore, the trust fund turns into an interest-bearing liability. Socialist Sweden finds itself paying dearly for the welfare state. Every worker shells out about one-fourth of his income in taxes. Who pays "for the welfare state is beginning to percolate down to the ordinary citizen." (First National City Bank.)

Rankin Phila. Mgr. For Goldman, Sachs

PHILADELPHIA, Pa. — Goldman, Sachs & Co., has announced that Herbert S. Loveman has retired as Resident Manager of its Philadelphia office after an association of 47 years with the firm and that he has been succeeded in that position by Harley L. Rankin, heretofore Manager of the Securities Department. The firm's local offices are located in the Philadelphia National Bank Building.

Mr. Rankin has been with the Philadelphia office of Goldman, Sachs & Co. since 1949.

Keller Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Raymond B. Sidekas has become associated with Keller & Co., 53 State Street, members of the Boston Stock Exchange. He was formerly with Coburn & Middlebrook, Inc.

A. G. Edwards Adds

(Special to THE FINANCIAL CHRONICLE)

CLAYTON, Mo. — Mitchell C. Grand has been added to the staff of A. G. Edwards & Sons, 30 North Brentwood Boulevard.

Continued from page 3

The Sword of Damocles?

error in judgment in encouraging, or even allowing, the rapid rise in money rates?

Let us first consider the composition and distribution of the outstanding U. S. Government debt, as it is today and as it has changed since the beginning of 1955.

(Billion Dollars)*

	August, 1956	Change Jan., '55-Aug., '56
Total Debt	$275.6	— 2.9
Savings Bonds and Notes	$57.3	— 5.2
Secial Issues	46.1	+ 3.8
Non-Marketable Issues	$103.4	— 1.4
Bonds	$81.9	+ 0.1
Notes and Certificates	54.6	— 1.9
Bills	20.8	+ 1.3
Convertible Issues	11.0	— 0.9
Marketable Issues	$168.3	— 1.3

Ownership of Government Securities
(Billion Dollars)*

	November, 1956	Change Jan., '55-Nov., '56
Commercial Banks	$57.4	—11.3
Mutual Savings Banks	8.3	— 0.5
Federal Reserve	23.9	--
Federal Agencies	54.5	+ 5.0
Individuals	67.0	+ 2.5
Corporations	19.3	— 0.7
Insurance Companies	13.1	— 2.1
State-Local Governments	16.0	+ 1.9
Miscellaneous	16.3	+ 2.4

*Data from "Federal Reserve Bulletins," January and November, 1956.

A number of interesting reflections can be gleaned from a study of these tables. They show that as a result of demands for credit and Federal Reserve stringency, bank holdings of government securities have fallen 19%. The bonds sold by the banks have, directly or indirectly, found their way into the hands of the general public, Federal Agencies, and State and local governments. While there is some question as to the propriety of having almost 20% of the government debt owned by the government's own agencies, we pass this over to consider the nature of the other categories which have bought on balance.

State and local governments presumably hold U. S. securities for working capital purposes and as a temporary deposit for funds raised through the sale of bond issues, pending actual investment in the projects for which the money has been raised. Since these governments are plagued by constantly rising costs of their own and sharply higher interest rate they must pay for new money (higher than government rates in many instances) they cannot be looked to as a substantial long-term buyer of government securities on balance.

Shift Out of Governments?

With individuals we come to the core of the problem. Let us assume that since the beginning of 1955 individuals have cashed substantially all the $5.2 billion nonmarketable savings bonds and notes presented for redemption on balance. Assuming that $1.5 billion of the 2.9 billion decline in total debt is assignable to their action, then we must conclude that individuals bought $4 billion worth of government marketable securites on balance.

It is questionable how successful this investment has proved. In short-term securities there is, of course, no risk in principal held to maturity; but a typical 5-10-year issue (2¼% of June, 1959-62) has dropped 6% points since the beginning of 1955; a typical medium-term (2½% June, 1962-67) 8½ points; the "Victories" (2½% Sept., 1967-72) 10⅝ points, and the long 3's of February, 1955 7½ points. Clearly the advantages of higher yields via marketability will not be immediately apparent to the investor who has lost 10% of his capital by investing "as conservatively as possible."

This is not meant to be facetious, but, on the contrary, to point out that (1) holders of savings bonds are cashing their holdings heavily on balance, at least in part because the yields on marketable governments run as high as 3.6% in comparison with 3% or even 2.5% on nonmarketable governments. (2) With a continuation of firm money policy there is every reason to believe cashing of nonmarketable governments will continue to increase. (3) Projecting present trends forward it is not unreasonable to expect a continued decline in the price of marketable government issues. (4) It is unreasonable, however, to expect the public to buy these marketable issues when past experience has been so poor and future expectations are no better than they now appear. No investor, after all, is going to buy fixed income securities if he is convinced he may lose as much, or more, in principal as he will receive in income.

Yet the fact remains that yields on nonmarketable government securities are now far out of line with those to which money is now entitled as a result of rising interest rates. Those who bought savings bonds for patriotic reasons during World War II have already seen half their principal destroyed by inflation. Now, because of the change in interest rates, we may be about to see a repetition of what happened in the 1920's, when investors liquidated 50% of their government bonds.

What Would Treasury Do?

If one can foresee the possibility of a massive withdrawal from savings bonds by individuals, the next question to be considered is how the government can raise a possible $25-$30 billion from other than public investors without resorting to the most direct and violent inflationary measures.

This, in my opinion, is the Achilles' Heel in the armor of government fiscal policy. Carried to its logical conclusion it makes a shambles of every "normal" economic theory, including the dogma that the Federal Reserve exerts a beneficent control over the nation's business. If my reasoning has been correct, one must conclude that the policy of credit restraint via higher interest rates is fraught with serious inflationary implications because $67 billion of the government debt is held by individuals, of which amount $57.3 billion is redeemable at the option of the individual holder.

No less urgent than the government's problem is the question of where the proceeds of bond redemptions will be reinvested if they are not put back in the bond market. There is good reason to believe that in the 1920's much of the money went into common stocks. Today many investors believe the stock market is high and conclude from this that stock prices are more likely to decline than rise. Aside from the logical fallacy inherent in such an assumption, this belief has led to a course of action which may in itself have a dynamic effect on future stock prices.

Much of the $4 billion worth of marketable government securities bought on balance by individuals (as shown above) clearly resulted from their judgment that bonds were safer than stocks, at least for the time being, owing to the high level of stock prices. One must emphasize the temporary rather than permanent nature of the support thus given the bond market, since, with a change of opinion on stock prices these buyers will become sellers of bonds.

Questions to Answer

Under the circumstances it behooves the investor to consider carefully what he is and has been doing with his capital. If he holds savings bonds is he receiving a fair return on his money? If he holds marketable Treasury bonds, can he be sure that they will not continue to decline in price enough so that in effect he will be receiving no return on his investment? If he thinks stock prices are high now, is he prepared to face the contingency of sharply higher stock prices and scarcity of investment media in the event of a flight from savings bonds? If he sold stocks a year or 18 months ago and bought Treasury bonds is he willing to admit that so far his judgment has been mistaken?

There are obvious risks in almost any kind of investment position taken under today's conditions, but the greatest losses are likely to come from the risks which are not recognized in advance. I am not predicting that the government bond market is going to collapse, but it is my strong conviction that the monetary authorities have made a serious mistake which can be rectified only by inflationary measures of one sort or another. Under the circumstances the common stocks of natural resource industries, which are well hedged against a possible inflationary outburst, may well turn out to be the most conservative, as well as the most profitable, investments in today's market.

Stroud & Co., Inc. Official Appointments

PHILADELPHIA, Pa. — Stroud and Company, Incorporated, 123 South Broad Street, announced the election of Theodore E. Eckfeldt as Vice-President in charge of sales; Felix E. Maguire as Assistant Vice-President in charge of dealers activities; and Richard O. Smith as Assistant Vice-President.

To Be Smith, Hague Co.

DETROIT, Mich. — Effective Jan. 1 the firm name of Smith, Hague, Noble & Co., Penobscot Building, members of the New York and Detroit Stock Exchanges, will be changed to Smith, Hague & Co.

Continued from page 6

Tight Money—Cause and Effect, And Outlook for Money Rates

banks to adopt a more cautious loan policy.

Impact on the Bond Market: As government bonds have again broken 90, and tax-exempts are at the lowest level in 17 years, the impact of tight money on the bond market is obvious.

Impact on Corporate Liquidity: The sharp drop in the ratio of cash and government securities to current liabilities (debts payable within one year or less) from 91% on June 30, 1946 to only 48% on June 30 of this year reflects the pressure on corporate liquidity—and, of course, it has undoubtedly dropped still further since then.

Impact on Capital Expenditures: The higher rates on corporate bonds have caused corporations to reduce or postpone bond issues and, thus, will have an adverse effect on capital expenditures. This effect was not marked so long as the corporations could obtain credit from the banks; but now that **availability** of credit as well as the cost is a problem, the pressure on capital expenditures will increase.

Tight money has also caused many municipalities and public agencies to postpone, or reduce, their public works programs. In many instances, such borrowers, in an effort to avoid paying the prevailing high rates in the bond market, have turned to their local banks to finance capital needs on a temporary basis with short-term money. Now that such borrowing for capital purposes is very difficult, adverse pressure on such expenditures must be expected.

Impact on Real Estate: Tight money has naturally had an adverse effect on real estate. It is much more difficult to obtain construction loans and mortgage money than it was a year ago. Commercial banks are no longer interested in "warehousing" mortgages; they have practically stopped buying mortgages; and they have become quite conservative in the extension of construction loans. This problem of financing is bound to have an adverse effect on the sale and value of both old and new houses. It has already had a serious effect on the number of home starts, which have dropped more than 20%. This, in turn, has affected the building materials industry, particularly lumber.

Impact on the Sale of Durable Goods: Tight money is having an adverse effect on the sale of consumer durable goods. The sale of the larger appliances is not particularly good; and it is highly doubtful that the rosy sales predictions made by some automobile executives for the 1957 model will be realized.

Impact on the Smaller Concerns: Tight money inevitably hits the smaller and marginal concerns harder than the larger ones. Although such concerns have increased costs, they find it very difficult to increase their borrowing at the banks. In fact, their lines of credit, in general, have been reduced. Many have even been forced to resort to higher rate non-bank lenders, which further increases their costs. As might be expected, the failure rate of such concerns is rising.

What Can Be Done About the Tight Money?

Well, what can be done about the tight money?

The **monetary authorities** could reduce reserve requirements, which are very high historically and comparatively, or they could supply reserves on a consequential basis through open market operations. But neither is likely with prices rising and the threat of inflation increasing.

The **government** could use the 1956 calendar year surplus of some $6 billion and the prospective 1957 calendar year surplus of a like amount to retire non-bank-held debt. If this is done instead of increasing expenditures, it should have a very favorable effect on the money market.

Corporations and **public agencies** could trim their capital expenditures to fit our ability to finance them on a non-inflationary basis. We may **need** $200 billion of public works expenditures for roads, hospitals and schools, as a government representative told the Investment Bankers Association on Nov. 25, but if we do not have the savings to finance them on a sound basis, we should forego them. It would not be the first time that we could not afford all that we need. Moreover, the one thing that we cannot afford is the inflation that is inevitable if we insist on living beyond our means!

Labor can help by increasing produtcivity and refraining from giving further impetus to the wage—price spiral. Obviously, a consequential reduction in prices would solve the so-called shortage of money in a hurry!

Individuals can help solve the imbalance in the money and capital markets by spending less and saving more. This would have a double beneficial effect, as it would relieve the upward pressure on prices and would supply the capital for a sound non-inflationary expansion of our facilities and economy.

The Outlook for Money and Credit

As a relaxation in the credit restraint policies of the Reserve authorities is not likely so long as the current inflationary pressures persist, and as no consequential changes in the basic supply and demand factors seem likely in the immediate future, it follows that the money market will remain tight. In fact, not only will money rates remain high in the immediate future, they may even go higher than the present level.

But it now seems clear that the pressure of tight money will bring the boom to an end sooner than was expected a few weeks ago. Already a considerable volume of new construction has been abandoned in the planning stage because construction loans could not be obtained. This has occurred even in cases where builders had commitments for permanent mortgages. It follows that housing starts are bound to decline further, and that the volume of public works, particularly school construction, will be reduced. Also, tight money, sooner or later, is bound to have an adverse effect on the stock market and on capital expenditures. These developments will certainly cause a reappraisal of public, corporate and private spending.

Once the boom trend in business activity and the upward trend in prices come to an end, money will be easy again. To the ease flowing from these changes in basic factors will be added the further ease of a reversal in Federal Reserve policy. The key, then, to the future of interest rates is the rate of business activity and the behavior of prices. By watching them, you can be forewarned — and forewarned is forearmed.

Securities Salesman's Corner

By JOHN DUTTON

Many investment firms have gone to considerable expense and effort to secure some rememberance for their clients around the turn of the year. Others have sent inexpensive memo pads, calendars, etc., to friends and prospects as well as clients. Some of this gift advertising may have been worthwhile and there has been no doubt a certain amount of goodwill value established.

One of the most practical ideas that has come to our attention has been created by Griffin McCarthy, investment dealer of Miami. It is not only an inexpensive method of building goodwill but the way this firm has used the idea of offering a "Record Form" to its friends and clients is most practical. It also combines a tactful reminder of the firm's policies and services with a usable simple form for investment record keeping. I have seen many such devices, some of them elaborately developed, in ring binders and what have you, but the objection of most investors to most of them is that they are too complicated. The McCarthy firm has made their record form simplicity itself.

Text of Letter Sent to Clients and Prospects

"A SIMPLE, HELPFUL FORM: YOURS FOR THE ASKING."

"Last December this office prepared and supplied copies of a simple form for keeping a record of interest and dividends through the ensuing year.

"Many people have complimented us by telling us that it was very helpful and easy to use. A reduced fac-simile is shown on the other side of this letter. In actual size it is 17" x 11", folding to the same size as this letterhead.

"If you would like one of these forms, without obligation, put your name and address on the coupon below and bring it or mail it to our office. The form is offered as a helpful service with our compliments.

Yours very truly,

"P. S. If you would like 2 forms, so as to use one of them to gather up your figures for this year, you have only to ask for 2. You're very welcome."

"Griffin McCarthy—Investment Securities,
"8340 N. E. 2nd Ave., Miami 38, Fla.

"Please let me have (one) (two) copies of your 'INVESTMENT PORTFOLIO RECORD'."

Name ____________________
Address ____________________

The reverse side of this letter, which was done in photo-offset, carried a reproduction of a much reduced sample of the Record Form, and also the outside cover thereof.

The Form Is Very Simple Yet Complete

Many investors have told me that they wish to simplify their record keeping and therefore they find most prepared forms too complicated. The McCarthy Record Form has a place for everything all on one page. Column 1, Number of shares; Column 2, name of security; Column 3, rate of return (dividend or interest); Column 4, date bought and sold; Column 5, certificate number; Column 6, cost price; Column 7, selling price; Column 8, profit; Column 9, loss; in Columns 10 through 22 the months are listed from January through December for recording dividend and interest payments received; Column 23 is available for recording stock dividends or security profits, and the final column on the page is for totals. This form is printed on fairly heavy buff-colored paper and the front page (it folds into four pages letterhead size) carries a short explanatory message from the firm.

Page Four Lists the Firm's Aims and Objectives as Well as Services Offered

Since this form is kept throughout the year by the investor and it is printed on durable stock the message of the firm is constantly before him. The services offered in Listed Stocks and Bonds, Unlisted Issues, Tax-Free Bonds, Investing Companies, Special Inquiries, and New Issues, and its policies pertaining thereto, are concisely and clearly set forth on the back page of the form.

A serviceable and practical record form such as this is in keeping with good taste, and it can be freely offered to investors who are very much interested in a simplified method of keeping track of their investments. The McCarthy firm is headed by Griffin McCarthy who for many years was an executive officer of one of the largest merchandising and retailing organizations in this country. His long and successful experience as an investor and his background of "know-how" in advertising, in this instance proves that it is the practical idea that is helpful to your clients that is appreciated, and you don't need a leather binding and gold leaf on the cover to make a record form acceptable and valuable.

El Salvador Extends Offer to Jan. 1, 1958

Holders of Republic of El Salvador Customs first lien 8% sinking fund gold bonds, series A, due July 1, 1948; 7% sinking fund gold bonds, series C, due July 1, 1957; and certificates of deferred interest (scrip certificates) issued with respect to bonds of series C, are being notified that the time within which the offer to exchange these bonds and the appurtenant coupons for Republic of El Salvador 4%, 3½% and 3% external sinking fund dollar bonds, due Jan. 1, 1976, and to pay certificates of deferred interest (scrip certificates) in cash at 15% of their face amount, may be accepted, has been extended from Jan. 1, 1957 to Jan. 1, 1958.

The period for exchange of convertible certificates for 3% external sinking fund dollar bonds of the Republic, due Jan. 1, 1976, in multiples of $100 principal amount has also been extended from July 1, 1958 to July 1, 1959. Copies of the exchange offers may be obtained from The First National City Bank of New York, 2 Wall Street, New York, N. Y.

Continued from first page

As We See It

economy under "high pressure." Certainly the politicians, with hardly an exception, are much disposed to do all they can to keep business going forward under forced draft, even if they all too often insist upon policies and programs which should have and should be permitted to have quite opposite effects.

In any and all events we think that the observations of the former Chairman of the President's Council are worthy of very careful thought at this time. The squeeze in the money market, the persistent tendency of prices to rise, and inadequacy of resources and manpower to meet the demands placed upon them all strongly suggest that we are trying to do too much too quickly. Demands which exceed capacity or willingness to produce are characteristic of inflation and are at the bottom of most of our current difficulties. Such a situation could be cured or at least ameliorated either by less ambitious plans and requirements or by a general willingness to work harder and longer to get what we evidently want. Of the latter, there is distressingly little evidence up to now.

So Always

Of course, economies have always — at least so far as records go—been subject to periodic seizures of exuberance all too often to be followed by states of mind which go far in the other direction. This and accompanying variations in activity are now called the business cycle. The so-called full employment act was brought into being with the rather naive idea of abolishing the business cycle. Without much doubt the authors of this measure conceived of their task as being that of keeping business always moving ahead and never lagging except for very brief periods of time and not very much at that. Many of them were caught up in the psychology of New Deal dreamers who, after abandoning their earlier thesis of a "mature economy," had begun to build castles in the air involving limitless economic millennia in which continous expansion was the key.

Even if such projects as the subsidies granted by the Federal Government—and local governments, too, for that matter—had other incentives too, they were and are often defended and doubtless in part inspired by this same notion of keeping the economy always in a fever of expansion. Agricultural largesse has its own political reward, or so the politicians believe, but it too is often defended on the ground that it tends to keep the economy moving at top speed. In this and a number of other ways government now undertakes to place the economy under high pressure to the best of its ability, and politicians seem to have the idea that the people of the country owe them eternal gratitude in the premises. We can hardly doubt that the former Chairman of the President's Council had this sort of thing very actively in mind when he warned against the evils and the dangers of "high-pressure economics."

Other Ways, Too

But there are a number of other ways in which government these days exerts high pressures whether it so intends or not. The eternal optimism that emanates from high authority in Washington, the assurances from the politicians that depressions are to be no more, and day-in-and-day-out preachment of the doctrine that high and ever higher wages and shorter work weeks tend to place the economy under constant upward pressure — except to the extent that skepticism of official doctrines tends to develop. Higher wages plus more leisure plus unlimited optimism tend to multiply demand for all sorts of consumer products at the same time that they place business under pressure to invest capital in order to reduce wage costs.

Meanwhile, who supposes that the current willingness to go almost endlessly into debt for all sorts of things is not in part at least a product of the philosophy of the New Deal and the Fair Deal which seem at times to scorn the idea of thrift and to suppose that reckless expenditure of funds on the part of the rank and file is the key to prosperity? In point of fact, even today it is almost universal among politicians to grow exuberant about the spending by consumers and to think up ways and means—when they seem to be needed—to encourage them to spend more, or at the very least to continue to spend without let-up. The volume of all expenditures—which is another name for Gross National Product about which we hear so much these days—is a matter of intense pride to almost all commentators on public affairs today.

To be sure, we can expect to gain no great popularity by asking at a time like this whether it is not possible that we are overdoing all this, and that we should be wise to pause long enough to consider some of these questions. Yet we find it difficult to avoid the suspicion that we are in too great a hurry to do too many things. The immediate and obvious danger is popularly known as inflation—namely a rise in prices by reason of demand for more than is being produced. There are a good many of the cooler heads who wonder whether that danger at the moment is not very real. But, of course, there are other untoward developments which are unfortunately characteristic of such periods.

What the economist terms unwise apportionment of resources is one of them. There is always danger that in the fever of excitement many projects will be undertaken which can live only so long as the fever which brought them into being continues. Of such stuff depressions are made.

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Industrial Progress Means Automation

it is — dynamic and progressive — only by continuing to change.

Cuts Across Industries

It is not possible to define clearly what will develop in what is already being called the "automation industry." Automation cuts across the machine tool industry, the office machinery industry, the packaging industry and others. It involves many business advisory and engineering organizations which can offer specialized service and advice in the field. One is already seeing hundreds of new devices and new businesses making up the design, development and supply of automation devices.

The primary impact of automation on society will be to create new **opportunities** — opportunities for new skills, for raising standards of living, for increasing military strength, for earning a living in a more rewarding and interesting way, and opportunities for setting up profitable businesses in fields which may be almost unknown at present.

It is elementary that long-run improvements in national economic welfare can have no other basis than increases in productivity. During the two centuries since the beginning of the industrial revolution, the level of living in the Western World has been raised tremendously. The chief impact of automation will be to permit the continuation of this historical improvement of human welfare.

Displacement vs Unemployment

In discussing the impact of automation on employment, a distinction must be made between labor displacement through technological change and technological unemployment. To say that automation will cause labor displacement is by no means equivalent to saying that it will bring about unemployment.

If you were to go along with the statements of some labor spokesmen that automation holds out the fear of dislocation, distress, unemployment and misery, you would have to say that technological progress, in and of itself, destroys jobs and does not create new ones. This leaves one wondering how the United States could have advanced so far technologically without a continuous increase in unemployment and without the welfare measures certain American labor leaders advocate for the future.

Automation, actually, will create new jobs as well as new and higher skills. The industry itself must produce automation devices, controls and equipment of all kinds of which computers themselves will be a substantial product. There will be engineering, development, sales, servicing and maintenance of product and all of the other requirements of this new industry involving machines, mechanical and electrical devices, hydraulics and electronics.

In discussing attitudes toward automation—or what you might describe as the "politics" of the matter—here are some interesting points:

Past Experience

The record of economic growth in the United States makes it seem almost absurd to fear unemployment as a result of improved technology. Let's have a look at it: Since 1870 productivity in the American economy has quadrupled. In other words, we are, on the average, able to do any given task with one-fourth as much labor as it took in 1870. Yet the number of persons employed by private business has increased from about 12 million in 1870 to about 60 million at present. Productivity has more than doubled since 1900, yet the rate of unemployment has actually declined slightly since then—it was 5.1% of the civilian labor force in 1900, 4% in 1955, and still lower in 1956. Our economy provides 67 million jobs, many of which would not exist if it were not for our advanced economy.

Thus the real problem involved in the relationship of automation to unemployment is the problem of labor displacement and the need for people to adapt themselves to new jobs and opportunities rather than the problem of mass unemployment.

People will shift from lines of work in which their services are no longer needed to other, often better jobs. There is no virtue in keeping more people at work making automobiles than are actually needed. To do so would be to cheat society of the services these people would be performing and to cheat the people themselves of new opportunities.

The great increases in agricultural productivity through mechanization would not have enriched our lives and the lives of our farmers if we had insisted on keeping **three-quarters of our population** on farms, as was the case in our grandfathers' time. It is by freeing labor for other tasks that agricultural progress has made one of its chief contributions to the rising standard of living for all of us.

Cases can be cited of whole industries that increased their total employment after the introduction of automation. The use of dial equipment by the telephone industry, beginning about 1920, is one such instance. Since 1920 the operating telephone companies have more than doubled their employment. The use of continuous-flow methods in the oil refining industry also began about 1920 and this industry's employment has about doubled, too. The reason for this outcome is the development of more and cheaper methods of producing—telephone service and motor fuels, resulting in a greater expansion of their use.

"Very Minor" Shift

Realistic estimates of the rate of labor displacement that may be anticipated from automation indicate that it will be very minor indeed compared to the rate of labor displacement that is going on all the time, from other causes. The U. S. labor force is in a continuous state of flux right now with about 6 million people entering it or leaving it each month.

It seems reasonable to hope that automation will result in jobs becoming more interesting, less tiring, and, in general, more personal. Muscular labor already has been largely eliminated by machine production, but some monotonous, repetitive jobs have been created. Automation will tend to alter this type of job.

Automation will probably offer opportunities for eliminating jobs which create special risks to health and safety. In some fields, it can reduce the likelihood of individuals coming into contact with dangerous or toxic substances. It may contribute to the productive power of older workers and open many opportunities where age handicaps are no longer important. Fatigue can be reduced because automation will tend to eliminate jobs where the operator is paced by the machine.

Management's Role

Management will, of course, play a big role in determining progress toward automation. But it will not only initiate automation. It will be in the midst of all the changes which the new technology will bring and **will have to adapt itself** to them. **We will need more management** . . . tighter control and coordination of every detail of the production process . . . and probably more individuals at every level making more decisions of a management type than they had previously.

No machine, however "automated," can be trained to meet all unforeseen developments in the light of an understanding of general objectives. Machines can be built with a memory for recording past events, but they generally cannot be built with imagination for spotting new possibilities. Photoelectric cells can "see" certain marks, but they do not possess "vision" in the higher sense. These functions — judgments appraisal and imagination —still belong exclusively to human beings.

Automation will not be the exclusive domain of the big corporations. It will be adopted, whether by large or small business, if—when all the eventual costs are totaled up—it is actually cheaper and/or better than continuing present methods.

Look at it this way: It is easier to "automate" manufacture of a transmission or axle than it is to "automate" production of a complete automobile. This suggests that the production of component parts by suppliers to numerous industries may lend itself to automation rapidly.

Conclusion

In conclusion, it is important to note that we now produce twice as much with each hour's labor as our fathers produced just prior to World War I, and four times as much as our grandfathers produced in the 1870's.

This remarkable achievement was neither accidental, nor the result of planned intervention by government.

Let us not forget in our concentration upon this topic of automation which emphasizes things—

new and fascinating combinations of metal and wires and vacuum tubes and transistors — that all progress is of human origin. The driving force of ambition, the unpredictable course of man's inventiveness, and his knack of using his freedom of enterprise to build organizations that produce useful things and create income-producing jobs—these are the indispensable ingredients of progress.

So that much as I respect automation and its vast potentialities, I want to close by urging you to pay redoubled attention to the factors which either stimulate or imprison the dynamic capabilities of men and women. What they are inspired to do or prevented from doing will control what really happens to automation.

Engdahl Appointed By Goldman, Sachs

BOSTON, Mass.—The appointment of Arthur E. Engdahl as Resident Manager of the Boston

Arthur E. Engdahl

office of Goldman, Sachs & Co., investing banking firm, was announced yesterday. The Boston office of the firm is located at 75 Federal Street. Mr. Engdahl who joined Goldman, Sachs & Co. in 1944 was formerly Manager of the Sales and Trading Departments of the local office.

Future Planning to Exhibit At Show

The Future Planning Corporation, 112 West 34 Street, New York City, will have a dramatic exhibit at the National Sports and Vacation Show in the New York Coliseum, from Feb. 15 to 24th, inclusive, it was announced by Karl D. Pettit, Jr., President of the company.

The display will point up graphically the growing importance of mutual funds in the overall investment picture in this country, it was stated. It will further stress the value of this type of investment opportunity to all levels of investors.

Every visitor to the FPC booth will receive a key, the symbol of Future Planning Corporation providing the **"Key to Your Future."** One of the keys will open a treasure chest on the counter of the exhibit setup in which will be shares of Knickerbocker Mutual Fund, a prize for the lucky winner. The participation of FPC in the National Sports and Vacation project is indicative of expanded promotion plans of the sales firm which is contemplating similar activity in a number of leading expositions and trade and business conventions during 1957.

Joins Kenower & MacArthur

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Katherine M. Johnston has been added to the staff of Kenower, MacArthur & Co., Ford Building, members of the Detroit and Midwest Stock Exchanges.

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The Security I Like Best

projectors. Each projector covers one-third of the huge screen area, with three panels interlocking to create one elongated image that covers a full 146 degrees of the horizon. This is almost the scope of the human eye. To perfect further the color match between panels and to prevent any unsteadiness, National Theatres has developed its own film printer for which patent applications have been made. The results obtained through the use of this new printer have been of the highest quality.

The audio part of "Cinemiracle" was developed by RCA. It is capable of the most perfect recording of compatible HI-FI sound. Using transistors, the unit is neither bulky nor heavy — some existing systems are both. Five speakers are set behind the huge curved screen, 6 on the side walls and 2 on the rear walls. This is to carry the movement of sound, comparable to the "Cinemiracle" image on the screen and exactly as it would sound to the human ear if actually present during the event. In effect, "Cinemiracle" literally surrounds the audience in both screen image and sound, imparting a realism never before experienced in a theatre.

National Theatres has the exclusive worldwide rights and control of production and exhibition of pictures made in the "Cinemiracle" process, subject only to a limitation under its "consent judgment" which provides that National may produce and distribute 16 "Cinemiracle" pictures in the U. S. The first "Cinemiracle" feature film is now in production and will be ready for release later in the year. Tentative title, "Cinemiracle Adventure"—a high seas story of the old four-masted square rigger days.

The wide screen medium "Cinerama" which is outstanding both artisticly and commercially, owes its success in part to such men as Louis de Rochement, Richard C. Babish, Coleman T. Conroy, Jr., and Richard J. Pietschmann, Jr., all of whom are now associated with National Theatres' "Cinemiracle" Division.

I feel the downward trend in movie attendance should level off some time in the near future. The novelty of television is starting to pale. The most enthusiastic movie-goers are in the 10 to 24 age group. According to all indications this age group is expected to increase some 40% by 1965. If the movie industry will offer better entertainment, good picture via an outstanding visual-audio medium, it should reverse the downward trend. Perhaps, National's "Cinemiracle" is the answer.

Selling at 8¼, current dividend is 50 cents per annum to yield about 6%. The common stock of National Theatres is listed on the New York Stock Exchange and offers an opportunity to participate in a new wide screen medium that could be the movie industry's salvation. All things considered I feel the basic risk is fairly limited.

Stone & Youngberg Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Milton A. Phillips is now with Stone & Youngberg, 704 South Spring Street. He was previously with Daniel D. Weston & Co.

Eliot Rosenthal

Eliot Rosenthal passed away Dec. 25. Mr. Rosenthal had been Executive Vice-President and Treasurer of Investors Planning Corp. of America.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market is continuing to reflect the very tight money and credit conditions which are currently prevailing. Accordingly, quotations of these securities are still being adjusted to the competition they are getting from bank loans, corporate and tax free bond offerings. Even though certain Treasury issues have made all-time lows, these obligations as a group are still not as attractive to investors as are non-Government offerings.

The uptrend in interest rates has taken yields of not only the new flotations, but also the older outstanding issues of corporate and tax-free bonds, to levels that are much more attractive than comparable Treasury securities. This does not seem to indicate the Treasury obligations will be off the defensive in the near future, unless money market conditions are changed.

A very thin and at times rather disorganized market for long Government securities has been cushioned somewhat on the decline, reportedly by purchases made for Government agency accounts and public pension funds.

Demand for Money and Credit Still Strong

The money market is entering the new year, with much the same pattern as was prevalent in the latter part of 1956. The demand for money and credit is still very sizable and it is indicated that there will be very little letup in this demand during the first quarter of 1957. The trend of bank loans is going to be very important in the future action of the money market, since the demand for bank credit is one of the factors that will determine the trend of interest rates right down from the Central Bank rate to those charged for other loanable funds, whether the borrowers be prime risks or not.

There has been a minor decline in bank loans since the peak loaning period was passed near the end of December. However, what happens to bank loans in January and February is going to be very significant in determining whether there will be another increase in interest rates or whether there will be ease in money and credit conditions because of the lessened demand for borrowings.

Monetary Authorities Would Check

Demand for bank loans since the fall of 1956 have been running considerably less than in the same period of the year before. This raises the question as to whether the repayment of loans, because the seasonal peak for credit would ordinarily be passed by now, will be large enough to have a marked effect upon the money market because of a decrease in the need for money and credit. If there should be a seasonal lessening in the demand for bank credit there would most likely be some action by the monetary authorities to keep the money market from easing too rapidly.

Accordingly, it would be logical to expect that a decrease in the demand for commercial bank credit, and the return flow of currency from circulation, which will also ease the money situation, would be offset in some measure through the sale of Treasury bills by the Federal Reserve Banks.

Corporate Borrowings to Remain Heavy

As far as the corporate calender of offerings is concerned, there is no let-up yet in the new issues which are coming into the market for sale, with the rush to obtain funds apparently gaining in momentum. The predictions that 1957 will be a very good year from the business standpoint is evidently having the effect of bringing borrowers in for money, because the feeling apparently is as strong as ever that interest rates are not likely to decline as long as the economic picture is favorable. The large borrowings which will be undertaken by corporations in the next three months will keep the pressure on interest rates unless there is some change in the policies of the monetary authorities.

Assuming that the tight money policies will continue to be the prevailing ones during the first quarter of 1957, then the heavy offerings of corporate bonds could bring about higher levels of interest rates. The tax-exempt offerings are also still on the plentiful side, which will keep the competition for the available funds as keen as ever.

Further Decline in Governments Indicated

Therefore, it seems as though Treasury securities will have to continue to compete with non-Government obligations as far as investors are concerned. Since the yields that are available in corporate and tax-exempt bonds are still much more favorable than those which are obtainable in comparable Treasury issues, it would seem as though the latter obligations will have to seek lower levels before they will be able to compete in a successful way with non-Government offerings.

Daniel Reeves Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—John F. Anderson, Jr. is now affiliated with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Pacific Coast Stock Exchanges. He was formerly with Neary, Purcell & Co.

Two With Samuel Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Walter H. Burruss and Reginal E. Honyben have become connected with Samuel B. Franklin & Company, 215 West Seventh Street.

Sterling Adds Two

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harold T. Andersen and Malvern M. Embree have become affiliated with Sterling Securities Co., 714 South Spring Street.

With Shaw, Hooker

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Howard T. Pike has become associated with Shaw, Hooker & Co., 1 Montgomery Street, members of the Pacific Coast Stock Exchange. He was formerly with Davidson & Co. and Brush, Slocumb & Co.

Brown Bros. Harriman Announce Appoint'm'nts

Brown Brothers Harriman & Co., commercial bankers, investment advisors, and securities brokers, have announced that John M. Case, associated with the New

John M. Case

George F. S. Elder

York Stock Exchange for the last two years, has been appointed an Assistant Manager in the Boston office, 10 Post Office Square, and that George F. S. Elder, with the firm since 1943, has been appointed an Assistant Manager in the Philadelphia office, 1531 Walnut Street.

Mr. Case, whose appointment was announced by Louis Curtis, Boston partner of the firm, graduated from Harvard College in 1937 and from Harvard Business School in 1939. He served as a Lieutenant Commander in the navy during World War II and was in commercial banking before joining the Stock Exchange.

Mr. Elder is in the Credit Department of the Philadelphia office. He came with the bank in 1943 after 14 years in industry with Mitchell & Peirson, Inc., leather tanners, where he was Secretary. Mr. Elder is a member of the Board of Governors of the Philadelphia Chapter, Robert Morris Associates. Educated in suburban Philadelphia schools, he attended Temple University, majoring in accounting.

Edward V. Mills With White, Weld & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Edward V. Mills has become associated with White, Weld & Co., 111 Sutter Street. He was formerly a partner in Reynolds & Co.

Elliott H. Falk

Elliott H. Falk, associated with Delafield & Delafield, passed away Dec. 29 at the age of 65 following a long illness.

Continued from page 7

The Outlook for Business

cause of Federal Reserve mistakes. The answer to this is either "No" (as indicated in the outline) or at least is "not necessarily." To this subject I shall return presently.

(2) Prosperity is certain—because of population growth. Who has not read in recent months some statement to the effect that the rapidly rising population of the United States virtually guarantees prosperity in our country? Well, it would be nice if it were so simple. Now, the fact is that a birth certificate has a great deal of purchasing power and two of the most important things in the world—Love and Happiness; but it hasn't enough material purchasing power to buy a dozen diapers. If mere births were what made nations prosperous, what would be the most prosperous nations in the world? They would include countries like China and India and others that we could name; actually they are among the poorest countries. No; mere births are not enough; but if the rise in population is coupled with an appropriate increase in total purchasing power — the nation's money supply—then indeed the increase in the population does become significant.

(3) Depression is certain—because Karl Marx said so. No. I expect hundreds of millions of people in the world believe this. We, I think, may pass it over very lightly by saying that once again this is another mistake made by this unfortunate man, so unhappy in both his personal life and his professional forecasting. He didn't really understand the capitalism of his time, and didn't have the faintest glimmer of the kind of capitalism which has produced in the United States of America the nearest thing to the professed socialist aim of prosperity for all in a relatively classless society that the world has ever seen.

(4) Prosperity is certain — because of rising productive capacity. Here again we encounter the thought that the tremendous increase which is going on in American productive capacity, because of technology and better capital and better management and all these things, will guarantee prosperity. This is a half truth, but a dangerous one. It's a half truth in the sense that rising productive capacity does indeed fill the requirements for the supply side of the picture. This may be called the physical ground work for an enlargement of output in the United States which is basic to an increase in our well-being. Developing ways of producing more goods and services, however, does not guarantee a market for the increased output. If these clever fellows are going to make two blades of grass grow (to use the standard figure of speech) where but one grew before, then the national problem is to find enough more of the long green to buy the increased supply of the short green which is flowing from this ingenious productive activity. An increase in productive capacity does not in itself guarantee an increase in purchasing power.

(5) Depression is certain—when defense spending stops. Neither history nor analysis confirms this contention. Our prosperity is not dependent on defense spending.

The Short-Run Business Outlook

Let us now then turn our attention to factors which are submitted as being really relevant to the determination of the business outlook. These will be analyzed under five headings: (1) the barometers, (2) the spenders, (3) the monetary factors, (4) the regulators, and (5) the upsetters.

Consider three barometers. These are three measures of certain phases of business activity which long experience has indicated usually turn upward or downward before general business activity does; and therefore perform like true barometers in the sense of giving a hint as to what is going to come in the general business picture.

(1) Average hours worked per week in manufacturing industries, has shown an upward trend since May, 1956, and is very high, and therefore may be classified as a favorable indicator.

(2) **New construction contracts awarded:** This indicator has been going downward rather markedly since February of this year and therefore is unfavorable.

(3) **Manufacturers' new orders.** These have been irregularly upward since March of this year, are very high, and therefore may be classified as favorable. Two out of the three barometers may be classified as favorable to business expansion.

Now what of the demand side of the picture—already characterized as being the key factor in the ups and downs of business. Who are the people who spend the money? There are three great groups — consumers, businesses, and governments.

How are consumers feeling these days? When I speak of "consumers" I speak of course of people that we all know. I'm speaking of our wives. I'm not saying this in any facetious sense. Studies by marketing experts have disclosed to us that 85% of the consumer goods are purchased, or their purchase is controlled, by women, including, perhaps surprisingly enough, more than 50% of men's suits and men's haberdashery.

Now, what is the attitude of consumers? The best information about consumer attitudes is to be had from the studies that are made by the Survey Research Center, a group of associates of mine at the University of Michigan. These competent people make surveys of Consumer Finances for the Federal Reserve Board, which are reported in the Federal Reserve Bulletin. They also make interim surveys for other purposes. They have devised an Index of Consumer Attitudes. This Index turned down a bit in the summer of 1956, although it was still high, and the inference from this is that consumer buying is going to be strong in the year ahead but is not going to be providing a big upsurge to the American economy.

What of business plans to spend on plant and equipment? Surveys made by McGraw-Hill and the Department of Commerce indicate that business is planning to spend even more money on plant and equipment next year than the fabulous totals spent this past year, when they reached an all-time high.

And what of that portion of business demand that flows from expansion or contraction of inventories? Inventories have risen somewhat in recent months and are now at least at a reasonably high level relative to sales, and it may be doubted therefore whether any element of strength is to be found in connection with inventory expansion in the months ahead.

Finally, what about government outlays? Expenditures of the Federal Government — partly on account of the unsettled world condition and partly on account of other factors—seem likely to go up perhaps $2.5 billion; and expenditures of state and local governments by the same amount.

Looking then at the spending plans of the spenders we conclude that they may be classified as "steady" or "up" in every case.

The Monetary Factors

Now, however, let us turn our attention to the monetary factors; because if they don't have it, they can't spend it.

Mention has already been made of the necessity in an expanding economy of having a gradual expansion, over the years, of the nation's money supply — meaning by this term, currency outside banks, plus demand deposits adjusted, plus time deposits in banks. This is the same figure and the same totals which are reported regularly in the **Federal Reserve Bulletin** and other publications.

It is not certain just what the long-term rate and growth of the nation's money supply should be. The best estimates seem to suggest that the long-term average would be in the vicinity of 4 or 5% per year. But at the same time it is equally certain that for stability of our economy that the rate of growth should **not** be exactly the same every year. In years where people are spending their money freely and the velocity of circulation is up, then the national requirements are met adequately by a small increase in the total amount of money. On the other hand, if the velocity of circulation goes down, then stability is aided by having the money supply grow a little bit faster than average. This, to be sure, is a very remarkable trick, and is something that we're only working toward gradually, as a nation.

The light that it sheds on this year's situation is this: The rate of increase in the nation's money supply, which a couple of years ago hit the 5% annual rate, has been going down pretty steadily now for quite a long time and recently declined to only a 2% annual increase. This small increase has been offset by changes in velocity and in the demand for cash.

The velocity of circulation of money has gone up and is now relatively high since therefore it would be more likely to go down than up. It may be classified as unfavorable. The demand for money (reciprocal to velocity)—the demonstrated desire to sit on cash—seems to be relatively low and might rise. This would be unfavorable. The rate of increase in the quantity of money certainly is not inflationary. It's rather on the low side and taken by itself is an unfavorable factor which has been offset temporarily by the high level of velocity. But, and this is the significant fact, the total quantity of money is something which is subject to a modest amount of control by the regulators, working with you people the bankers.

The Regulators

Now let's turn our attention then to the regulators. The Federal Reserve System is one of these. The Federal Reserve has already raised minimum reserve requirements almost to their respective legal maxima, so further restrictive efforts along these lines are not possible.

The "free reserves" of the member banks, or the "net excess reserves" as they are sometimes called, are very low. This figure is calculated by taking the figure for excess reserves and subtracting therefrom the amount of member bank borrowings. Usually the net result will be found to be a positive figure. Normally, excess reserves may amount to $800 million; subtracting a "normal" $100 million of member bank borrowings leaves $700 million as **free reserves** or **net excess reserves.** The magnitude of this figure depends in a very large part on deliberate Federal Reserve policy, and therefore it is significant that the Federal Reserve allowed this figure to come down in 1955, and allowed it actually to cross the zero line in August of 1955, so that the net excess reserves figure, the free reserves figure, became negative in August 1955. This figure has been negative ever since almost continuously except for perhaps three weeks, one of them being the week ended Nov. 23. It appears, though, that its positive turn in that week was a somewhat accidental result of a $500 million increase in the Federal Reserve float, and probably will not become permanent.

At the same time, as you know, the Fed has raised discount rates to the highest level in 20 years. These two things taken together represent the Federal Reserve System putting on the brakes, and putting them on rather hard. Indeed, it's rather surprising that there hasn't been a substantial slow-down in the American economy as a result of this braking effort. The explanation is to be found in the fact that the Fed isn't the only driver of the prosperity automobile. There are millions of other drivers. There are tens of millions of consumers, millions of independent business and professional men, hundreds of thousands of business organizations, and the Federal Government, the 48 states, and then there are the rest of the 116,000 governmental entities in the United States—school districts, and counties, and irrigation districts, and the rest. All these people have their own brakes and accelerators and they are all pushing them at various speeds. Evidently all the rest of them have been pushing their accelerators enough in bygone months so as to offset the pushing on the brakes that the Fed has been doing. The fiscal situation also has been mildly restrictive in the last year, because Uncle Sam — on a cash consolidated basis has taken away $6 billion more money from the American people than he has paid back to them. The net effect of this, of course, is to leave them less to spend.

Both of these regulators must be classified therefore as unfavorable but subject to the very important qualification that **both of these** regulators can be turned on or off, in Washington; and if a business decline should start to occur, both of these, which are now unfavorable, could be made favorable very rapidly.

The Upsetters

Finally the upsetters: politics, crises, wars and others. It is with some hesitation that I refer to politics at all because I realize that it is a delicate subject. Nevertheless, politics and government are an important part of the total picture and some reference must be made to these factors.

There are four principal combinations of control of the Federal Government down in Washington. One would be a Republican President and a Republican Congress; a second, a Republican President with a Democratic Congress; a third, a Democratic President with a Democratic Congress; and fourth, a Democratic President with a Republican Congress. These are the four possibilities. How many of these four do you suppose we have had in the United States since World War II? We've had every one of them! We've had every one of these four combinations, and I should think most of us might be rather hard put to it to tell in just what years we had each of these combinations.

Now from this I infer two things, namely, that American business is almost politics-proof; and, secondly, that people are overlooking the significance of the Congress. In the altogether natural glamour of excitement associated with Presidential election campaigns it's easy to forget that there's also a Congress down in Washington. Yes, the President may suggest legislation to the Congress and he may veto legislation, which may be passed over his veto, but he **passes no laws.** Not under our constitutional system; the Congress does that.

The fact is that the Congress of the United States has been dominated ever since the World War II by an informal coalition of Republican and Democratic Senators and Representatives, who are certainly not radicals, and might be classified as conservatives. This is the situation **today,** and it **is** going to be the situation under the new Congress; so that we need not expect any radical or disturbing legislation out of the Congress. This factor, taken together with the high level of confidence inspired in the people generally by President Eisenhower, permits us to classify politics and government at present as being a favorable rather than an unfavorable factor.

What of crises and wars? Of course, war may break out any time and it might be so destructive as to throw off my population forecast for the United States by tens of millions. As for crises, I guess they are going to be with us. The Hungarian crisis for the moment appears to have been resolved harshly for the Hungarian people. The middle East one continues very acute.

Can the Federal Reserve Act in Time?

To summarize with respect to the short-run outlook. It would appear as though we are in for a period of high level prosperity. The main thing to watch is the possible adverse effect of the Federal Reserve's restrictive policy because there are several factors that suggest that there might be a serious delay in getting a reversal stimulus, if it should become necessary.

Here is the way in which the delay might occur. If business did start to turn downward, it would be several hours to several days or several weeks before the key statistical information becomes available; then when this comes in, the Fed must ask whether this little decline is just a "jiggle" in an otherwise ascending curve (because, of course, business doesn't move in a smooth curve), or whether this little "jiggle"—which may have lasted two or three months—is the beginning of a real downturn. It might take a few months before the Fed (or anybody else) could conclude that a real downturn was occurring. Suppose that the Fed were finally convinced, and decided to take the foot off the brake, and push down on the accelerator. If, however, this brake is a kind that doesn't release at once, that doesn't release for perhaps three months to six months, and the accelerator is also a delayed mechanism — it doesn't begin to have any effect for several months. The net result might be that a business downturn could occur in the United States and keep on going for about a year before stimulative effects of reversed Federal Reserve action could begin to be felt.

Now in saying this, let me hasten to say that I don't mean to be critical of the Federal Reserve. Gilbert and Sullivan pointed out to us that a policeman's life is sometimes not a happy one, and this observation applied to the Federal Reserve. Occasionally, yes, to be sure it's a pleasant duty of the Federal Reserve to provide stimulus to the American economy and see faces wreathed in smiles as the Fed turns on the steam. But now and then it would seem (symbolically) to be their duty to come to the gay party at the very height of gaiety in the evening and to say "Folks, if you don't stop drinking, and go home, you're going to have an awful hangover in the morning." No well-meaning advisor who comes to the gay party with this kind of advice is welcome. Moreover he may be subjected to even harsher criticism — suppose that the people at the party, unwillingly and regretfully, do take this unwelcome advice and go home and therefore arise the next morning clear-eyed and clear-headed. It would not be unreasonable then if they were to conclude that the unwelcome advice the night before was totally unnecessary. This is the difficulty that the Fed is in and indeed because of an appreciation of this difficulty, I think perhaps we ought to dedicate a national week to the Federal Reserve. We have Boy Scout Week and we have Love Your Mother-in-Law Week, and many others. I think it wouldn't be unreasonable if we were to establish something called National Be Kind to the Federal Reserve Week—in which we would do our best to express kindness and sympathy with the Fed, if not complete agreement with everything that they are doing. Theirs is a difficult and unenviable task.

How long will the Fed keep the brake on? My estimate is that they'll take the brake off as soon as some commodity price index, which they consider to be a reliable indicator of inflationary pressure turns down enough so that they conclude that the inflationary pressure is finished. Because that's why they have the brake on, no question about that. Inflation and the fear of more inflation caused the Fed to put on the brake, and they will reverse as soon as they see the inflationary prospect ended. But because of lags that might occur before stimulus takes hold, this constitutes an area of the economy which will deserve close watching.

The Long-Run Business Outlook

Well now a quick look at the long-run business outlook. The long-run business outlook continues to be simply magnificent, provided that all goes well. Productive capacity will rise; output per man-hour should rise at least 20% per decade. This is despite some slight shortening of the work week. Not a rapid shortening, as some folks are predicting. The 32-hour week isn't just around the corner, no matter what distinguished statesman says that it is. He's overlooked the fact that we can't accustom our wives to having us around the house another eight hours a week inside of a few years—wholly apart from the economic consequences which make it impossible.

The population is going to continue to grow, at least 15% per decade. In fact, in the present decade it's going to grow about 19%.

The national income will grow faster than either of these—it will grow in the neighborhood of 40% per decade. Some of these projections suggest how much income is going to rise in the next 10 years, together with population, national income, and the total of bank deposits, which probably will go up about 40%.

It must be said in connection with population growth that it's going to be very uneven in the United States. In the period from 1940 to 1950, this country grew about 19 million persons, a tremendous increase of about 15%. Did every portion of the country share in this? No. Out of America's 3,000-odd counties, only 51% showed any increase at all. Mind you, not an increase of average or better, but **any** increase at all! Forty-nine percent of American counties showed an actual decline in this period of time. And this pattern is due to be continued.

For this reason as well as other reasons, associated with conditions in your own neighborhood, as well as your own management of your own bank, the rate of growth in bank deposits is going to be enormously different as among different banks.

The economy is going to grow and is going to be stable. Passing lightly over an important matter I am going to say that I think that there now exist policies — some private and some public—that will make it impossible for us ever to have another depression. And when I say "another depression" I don't mean one like the ghastly collapse of the 1930's; I mean nothing even a fifth as bad as that. There will be dips and even perhaps recessions; but never another depression.

Business is going to go up. Now does this mean that every business is going to prosper? No. Some will go down. In fact, some of the fabulous new commodities that are coming along are going to be threats to old commodities. Consider, for instance, what the automobile business did to the buggy-whip business. And then there's another example which I learned with sadness because I like buckwheat pancakes. It was also with astonishment that I learned that the 1955 buckwheat crop in the United States, which was only about 2 million bushels, was small compared to the all-time high registered in 1905 when it was 10 million bushels; but not only that, the 1955 buckwheat crop was the smallest buckwheat crop ever recorded in the 90 years since statistics have been kept, that is to say, since the Civil War. Now it wasn't because our country's been getting smaller; it's been getting **bigger!** It isn't because the American people are too poor to eat buckheat pancakes. No, there's some other explanation. Apparently we who like buckwheat pancakes must be the vanishing Americans. Anyway, here are three examples — buggy-whips, buckwheat, and button shoes. Some industries and some commodities will go down. But by and large, the total picture is one of fabulous growth.

Possible Hindrances

Now we come to some of the possible hindrances that might stop this growth and this high-level prosperity. I have a list of them here — inflation, deflation, taxation, automation, integration, disintegration, and deterioration of labor-management relations. Also: the national debt, creeping collectivism, unwise governmental policies, consumer debt, decline in the spirit of enterprise, exhaustion of natural resources; and then you might add any others that occur to you. Some of these aren't real menaces. Some are; and it's our job to find solutions for them.

In addition to these, I call attention to three others. One is **complacency.** Our very success as a nation might induce a feeling of self-satisfaction, and if complacency comes, decline cannot be far behind. Second, of course, would be a **disastrous war.** And a third would be a kind of **internal weakness** growing out of our very easy living. It looks as though the standard of living of the American people is going to be doubled in the next 30 or 40 years. Will this easy living do something to our moral fiber, perhaps even to our physical strength, to our vigor? Easy living has done this to people. I'm sure you can all find examples among your own acquaintances of where wealth and easy living has undermined a man or a family. And it's something we must all watch.

Indeed all of these things need to be the concern of all of us. Not solely because they are important in themselves, but because these elements of strength undergird our economic system. If something happens to these essentially non-economic values, then our prosperity will collapse fairly rapidly. To meet these problems we shall need the two factors that the Prophet Isaiah mentioned when he said "and wisdom and knowledge shall be the stability of thy times." We also need more **courage** than we have been displaying in our country in recent years. We need to live up to the standard of courage displayed simply by our own forefathers, the pioneers. I mention this because a couple of years ago driving back from the West I noted from the map that we were going to pass within a couple of miles of the geographical center of the United States. Being, as I obviously am, very sentimental about the United States, I wanted to go and see the place that the U. S. Coast and Geodetic Survey has determined to be the exact geographical center of our nation. It's just northwest of Lebanon, Kansas, near the Nebraska border.

We drove there, got out at a country crossroads where there is a modest fieldstone monument—it isn't as tall as this room—with a flagpole on the top. Our children climbed up atop the monument. It was a beautiful day, and we took color slides of them standing there with Old Glory flying above their heads. And then I thought about the great distances from that point out to the four corners, 1,500 or 1,800 miles to Maine, to Key West, and to San Diego, and to the Olympic Peninsula and the miles between them, and the people who came across those distances in pioneer days. As we stood by the monument, we had come in a comfortable car, on well-paved highways; our only problem was whether we could find a grade "A" motel or might have to settle for an "A minus" motel.

That wasn't the problem of the pioneers — there were no motels, no highways, and no bridges. They came across wilderness country and they faced real honest-to-goodness hardships. I sometimes wonder if we haven't forgotten the kind of hardships they faced, hardships and discomforts of all kinds and even death, in many forms. Some were slain by Indians, some died of starvation, some died in childbirth, some froze to death, some drowned as they forded streams; then, farther West, some were taken by thirst and by heat. **But they kept on going!** Few of them turned back. They kept on going in the face of hardships and dangers. They came out across this great country, and they plowed the sod, and they built grist mills that were to become great factories; they started little villages which were to become great cities and they built up this great, big, rich, beautiful country that we have inherited. We would be very poor descendants, indeed, of these people if we couldn't, in our turn, face our problems with courage, and find solutions for them. Not only to make our country a richer country—that will be easy. But also to make it a **better** country—which is much more important—and turn over this richer and better country to our grandchildren and their grandchildren. That is the challenge.

Summary

To summarize in a few words. The short-term outlook — good, subject to the qualification that we need to watch out for the possible adverse effects of Federal Reserve policies. The long-run outlook—simply fabulous, provided that we all get in and do our share in meeting the nation's problems with wisdom, and knowledge, and courage.

With Amer. Underwriters

(Special to The Financial Chronicle)

DENVER, Colo. — Arthur B. Awenius, William C. Chadwell, Richard T. Goold, Stanley A. Humphrey and William D. Weddel are now with American Underwriters, Inc., 3010 Huston Street.

Now With Walston

(Special to The Financial Chronicle)

EUGENE, Ore. — Gordon R. Moore has become associated with Walston & Co., Inc. He was formerly with Pacific Northwest Co.

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The State of Trade and Industry

heavy at $17,200,000,000 or about 80% or this is in military aircraft and guided missiles, concludes "The Iron Age."

Fewer strikes idled a smaller number of workers in 1956 than in the previous year, but cost more man-days of idleness, the United States Department of Labor reported.

However, the department said in a review of the year's labor-management disputes, more than half of the 1956 idleness was accounted for by the nationwide steel strike involving 650,000 workers in July and the continuation of a stoppage involving Westinghouse Electric Corp. which began in 1955.

A total of 3,800 strikes started in 1956 compared with more than 4,300 in 1955, fewer than in any year since 1950 with the exception of 1954, according to department statistics. The total number of man-days lost from all strikes in effect over 1956 totaled 33,000,000, compared with 28,200,000 in 1955. The 1956 figure included about 100 strikes involving some 100,000 workers which were still going on at the start of 1956.

The total number of man-days of idleness for 1965, Labor Department figures show, was the greatest since 1952, when more than 59,000,000 man-days were lost.

United States car production for the entire year 1956 was estimated by "Ward's Automotive Reports" at 5,804,566, a 26.9% decline from the 7,942,132 autos turned out in record-breaking 1955.

The statistical publication said that trucks dropped 11% behind last year, to 1,109,203 from 1,246,442 and cars and trucks combined fell 24.8%, to 6,913,769 from 9,188,574.

Production last week totaled 99,022 cars and 12,167 trucks compared with 154,832 and 22,903 in the previous week. All assembly plants were idle on Monday and Tuesday (Dec. 24-25) and were down on Monday and Tuesday of this week (Dec. 31-Jan. 1). Only Ford, Mercury, Lincoln, Cadillac, Dodge and Chrysler planned to run assemebly lines tomorrow on Saturday, last.

"Ward's" noted that as the year ends, the industry will have turned out 1,622,500 new 1957 cars. Last year at this time, in comparison 2,100,000 1956 models had been built.

So far, General Motors has accounted for 44.4% of 1957 model car production, Ford Motor Co. 34.8%, Chrysler 16.6% and American Motors and Studebaker-Packard combined 4.2%.

Ford Division is outdistancing Chevrolet by more than 60,000 new model cars, but, significantly, it started producing them three weeks before Chevrolet.

"Ward's" said that Canada missed a car production record this year by only 1.1%. The country assembled an estimated 373,066 cars compared to the record of 377,598 set in 1955.

Exports by United States traders during November fell below the previous month but exceeded the like month of 1955, the United States Department of Commerce reported in a preliminary estimate.

November commercial exports, based on incomplete figures, according to the department totaled $1,395,000,000 for the month, a decline from the record $1,554,000,000 in October but above the $1,247,000,000 of November, 1955.

In November, the department said, total exports came to $1,505,000,000, compared with $1,656,000,000 in October and $1,321,000,000 in November, 1955. Military aid shipments, "increased slightly" over the $101,300,000 of October, according to the report.

Steel Production Scheduled at 98% of 1957 Rated Capacity This Week

Metalworking sales in 1957 will be 7.7% higher than they were in 1956, according to a survey of 7,500 general managers of the country's metalworking plants by "Steel" magazine, the national metalworking weekly, released on Monday of this week.

Figures based on the survey show that the industry expects to set a record of $145,000,000,000 in sales during the next 12 months, compared with $135,000,000,000 during the past year. Half the increase will represent higher physical volume and half will represent higher prices, the magazine stated.

Metalworking companies co-operating in "Steel's" survey expect production and sales will be good throughout the year. They predict the second half will be 2.3% better than the first half. This expectation contradicts the often heard prediction of a drop off in the second half.

"Employment is expected to rise 4% in 1957. Higher unit wage costs are looked for by 82.6% of the managers, with increased wage rates and more overtime cost being the two main factors. One-third of the respondents see a shortage of skilled workers.

Runaway inflation is not looked for in metalworking during 1957, although prices will edge up. The average price rise is expected to be 3.9% and will account for about half the increase in dollar sales volume.

The publication said metalworking capacity is scheduled for a 5.6% expansion during 1957, despite tight money and government turndown of fast tax amortization applications for $2,300,000,000 of proposed projects.

More than half the respondents are planning to add capacity through new plants, additions or the purchase of new production equipment. The rate of expansion will be slower than in 1956 because of tighter money and completion of projected programs. One-fourth of the respondents said the capital shortage will force them to curtail or defer planned expansions.

Two of five managers expect to increase their budgets for product research. Over-all, they will spend nearly 5% more dollars in research than they did last year. Greater expenditures for product research will result in the introduction of new products by three of five companies.

The publication said 1956 is ending with steel costing users around 9% more than at the start of the year.

Its composite on steelmaking scrap declined 33 cents to $64.50 a gross ton.

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The State of Trade and Industry

Production of steel for ingots and castings in the United States this year is totaling around 115,000,000 net tons, compared with the record of 117,036,085 tons produced in 1955.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steel-making capacity for the entire industry will be an average of 98.0% of capacity for the week beginning Dec. 31, 1956, equivalent to 2,509,000 tons of ingot and steel for castings as compared with 94.3% of capacity, and 2,322,000 tons (revised) a week ago.

The Industry's ingot production rate for the weeks in 1957 is based on annual capacity of 133,459,150 tons as of Jan. 1, 1957.

For the like week a month ago the rate was 101.3% and production 2,493,000 tons. A year ago the actual weekly production was placed at 2,403,000 tons or 97.6%. The operating rate is not comparable because capacity is higher than capacity in 1956. The percentage figures for 1956 are based on an annual capacity of 128,363,090 tons as of Jan. 1, 1956.

Electric Output Eased in Christmas Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Dec. 29, 1956, was estimated at 11,196,000,000 kwh. a modest decrease below the week ended Dec. 22, 1956, according to the Edison Electric Institute.

The past week's output fell 1,031,000,000 kwh. under that of the previous week; it increased 445,000,000 kwh. or 4.1% above the comparable 1955 week and 1,771,000,000 kwh. over the week ended Jan. 1, 1955.

Car Loadings in Week Ended Dec. 22, Edged 2.5% Under Preceding Week

Loadings of revenue freight for the week ended Dec. 22, 1956, were 18,263 cars or 2.5% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Dec. 22, 1956, totaled $698,389 cars, an increase of 30,910 cars or 4.6% above the corresponding 1955 week and an increase of 137,194 cars, or 24.4% above the corresponding week in 1954.

U. S. Automotive Output Cut Sharply In Christmas Holiday Week

Car and truck output for the latest week ended Dec. 28, 1956, according to "Ward's Automotive Reports," was cut sharply in Christmas Holiday week.

Last week the industry assembled an estimated 99,022 cars, compared with 154,832 in the previous week. The past week's production total of cars and trucks amounted to 111,189 units, or a decrease of 66,546 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 55,810 cars, while truck output declined by 10,736 vehicles during the week. In the corresponding week last year 105,6,8 cars and 13,057 trucks were assembled.

Last week the agency reported there were 12,167 trucks made in the United States. This compared with 22,903 in the previous week and 13,057 a year ago.

Canadian output last week was placed at 5,750 cars and 937 trucks. In the previous week Dominion plants built 10.267 cars and 1,824 trucks and for the comparable 1955 week 2,686 cars and 705 trucks.

Business Failures Fall in Christmas Day Week

Commercial and industrial failures declined to 174 in the Christmas Day week ended Dec. 27 from 214 in the preceding week, Dun & Bradstreet, Inc., reports. At the lowest level of any week in 1956, the toll was even with the 274 in the comparable week a year ago, but moderately higher than the 152 in 1954. Continuing below the prewar level, failures were down 8% from the 190 recorded in the similar week of 1939.

Failures with liabilities of $5,000 or more decreased to 153 from 175 but exceeded the 143 of this size last year. A dip also occurred among small failures with liabilities under $5,000, which numbered 21 as against 39 in the previous week and 31 a year ago. Liabilities in excess of $100,000 were incurred by 18 of the failing businesses as compared with 16 last week.

Trade and services accounted for the week's decline; the toll among retailers fell to 73 from 106. On the other hand, manufacturing casualties edged up to 38 from 36 and construction held steady at 42. Fewer concerns failed than last year in manufacturing, wholesaling and commercial service. Construction failures, however, were considerably higher than in 1955 and retailing increased slightly from a year ago.

In five of the nine major geographic regions failures were lower in the week just ended. Most of the decline was concentrated in the Pacific States, where the toll dropped to 28 from 79, in the East North Central down to 25 from 33 and in New England off to 7 from 21. In contrast, Middle Atlantic failures rose noticeably to 82 from 55 and four other regions reported slight increases. Tolls fell below the 1955 level in six regions, while only the Middle Atlantic, East and West North Central States had more failures than a year ago.

Wholesale Food Price Index Held to Moderate Declines of Previous Week

Continuing the moderate downtrend of the preceding week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., declined to $6.12 on Dec. 24, from $6.15 the previous week, and $6.18 two weeks ago, the latter being equal to the 1956 high set on June 5. The current level at $6.12, compares with $5.97 last year, or a rise of 2.3%.

Commodities advancing in price during the week included wheat, rye, sugar and hogs. Declines occurred in corn, barley, beef, coffee, cocoa and eggs.

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 Confined to Narrow Range In Christmas Holiday Week

The Dun & Bradstreet daily wholesale commodity price index continued to move in a narrow range in the abbreviated holiday week just ended. The index registered 300.42 (1930-1932=100) on Dec. 21, as compared with 299.79 a week earlier. The latest figure compares with 280.15 at this time a year ago.

Grain prices were irregular with both wheat and corn showing little net change for the week. The final government crop estimates for 1956 and the first production forecast of Winter wheat for 1957 failed to have major influences on the markets.

The report placed the Winter wheat crop at 624,953,000 bushels, which was higher than the trade has expected.

Corn prices edged downward under pressure of hedge sales as the government implemented in recently announced policy of making sales of the yellow grain to exporters. Rye prices continued to rebound from the sharp declines of recent weeks. Daily average trading volume in grain and soybean futures on the Chicago Board of Trade continued to decline last week. The total at 45,700,000 bushels, compared with 52,000,000 the previous week.

Demand for all types of hard wheat bakery flours remained inactive last week as most buyers still held fair to good balances. Export flour inquiries were small with scattered buying confined mostly to small lots by Latin America. Raw sugar developed a firmer tone in response to the USDA announcement last Thursday of a 1957 quota of 8,800,000 short tons, which was somewhat below trade expectations. The rice market was quiet and steady at the week-end.

Coffee prices were mixed with some weakness displayed in the Mild contract and relative steadiness in the Brazil grades. The spot coffee market was quiet with roasters buying only to fill their needs.

Cocoa finished slightly lower in moderate trading. The final official estimate by the British Marketing Board of the Gold Coast Accra cocoa crop for the 1956-57 season is 225,000 long tons. This is about 20,000 tons above the preliminary estimate, and compares with last year's production of 218,017 tons. Lard prices were mostly steady in moderate trading. Prices for butcher hogs and sows closed steady to higher as packing interests became aggressive buyers at the week-end.

Spot cotton prices were generally steady last week. According to the New York Cotton Exchange, short covering and purchasing by mills for price fixing helped to sustain the market, as did buying by local dealers in expectation of a smaller crop next year because of participation in the soil bank program.

Entries of cotton into the 1956 loan program increased during the week ended Dec. 14, reversing the trend of the previous four weeks.

Aggregate entries through that date now total 3,500,000 bales. Consumption of cotton for the November period, according to the Census Bureau, averaged 35,222 bales per day. This compared with an average of 37,078 bales for the corresponding period a year ago, and with 36,616 for the October period this year.

Trade Volume Stimulated By Late Christmas Shopping Rose Sharply In Latest Week

An upsurge in last-minute Christmas shopping last week boosted retail trade considerably above that of a year ago. There was a noticeable rise in the buying of toys, women's fashion accessories, television sets and linens. However, retailers reported slight declines in purchases of major appliances and furniture.

Sales of new and used automobiles expanded moderately and exceeded those of the similar 1955 week.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 5% to 9% 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 +7 to +11; Middle Atlantic +6 to +10; East North Central and West North Central +5 to +9; South Atlantic and East South Central +3 to +7; West South Central and Mountain +2 to +6 and Pacific Coast +4 to +8%.

While volume in jewelry, handbags, lingeries and cosmetics rose sharply, sales of women's coats and suits fell somewhat last week.

The buying of men's overcoats, sports jackets and slacks widened considerably, and moderately exceeded that of last year.

Shoppers increased their buying of television sets, phonographs and small electric housewares the past week and sales were somewhat above those of the corresponding 1955 week.

Food sales expanded considerably a week ago, as housewives sought holiday specialties.

The call for dairy products and frozen foods exceeded that of a year ago.

Although wholesale ordering remained at the level of the previous week, it was moderately above that of the similar period a year ago. Purchases of fill-in merchandise suitable for Christmas gifts, Spring apparel, and Summer outdoor furniture expanded slightly, while volume in textiles and some housewares declined from the level of the prior week.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Dec. 22, 1956, advanced 14% above those of the like period last year. In the preceding week, Dec. 15, 1956, an increase of 2% was reported. For the four weeks ended Dec. 22, 1956, an increase of 3% was recorded. For the period Jan. 1, 1956 to Dec. 22, 1956, a gain of 3% was registered above that of 1955.

Retail trade volume in New York City the past week advanced 18% to 20% above the similar period a year earlier, according to trade observers. The increase was due in large measure to the fact that there was a Monday shopping day before Christmas.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Dec. 22, 1956, increased 18% above the like period of last year. In the preceding week Dec. 15, 1956, an increase of 1% was reported. For the four weeks ending Dec. 22, 1956, an increase of 5% was registered. For the period Jan. 1, 1956 to Dec. 22, 1956, the index recorded a rise of 5% above that of the corresponding period in 1955.

Business Man's Bookshelf

American Workers' Fact Book, 1956 — Background information on labor matters—U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y. $1.50.

Automatic Technology and Its Implications: A selected annotated bibliography — U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y. 45 cents.

Dividend Tax Credit . . . Its Importance for Economic Growth — New York Stock Exchange, New York 5, N. Y. (paper).

IBM Journal of Research and Development—New quarterly publication — International Business Machines Corporation, 590 Madison Avenue, New York 22, N. Y. $3.50 per year.

Institutional Investors and the Stock Market 1953-55 — Staff Report to the Committee on Banking and Currency of the United States Senate — United States Government Printing Office, Washington, D. C.

J. K. Lasser's Standard Handbook of Business Tax Techniques—J. K. Lasser Tax Institute, Sydney Prerau, Director—McGraw-Hill Co., 330 West 42nd Street, New York 36, N. Y. $14.

Memorandum to the 85th Congress (on foreign policy matters) — James P. Warburg — James P. Warburg, 70 East 45th Street, New York 17, N. Y.

Mortgage Lending: Fundamentals and Practices—Willis R. Bryant —McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 36, N. Y. $6.75.

North Carolina's Research Triangle — Brochure on industrial development — State Department of Conservation and Development, Raleigh, N. C.

1957 Equipment Manual — Precision Equipment Co., 3706A North Milwaukee Avenue, Chicago 41, Ill. (paper) on request.

Private Pension Plans—Report—National Planning Association, 1606 New Hampshire Avenue, N. W., Washington 9, D. C. 30 cents.

Research and Development in The Corporation — Monograph — American Institute of Management, 125 East 38th Street, New York 16, N. Y. $12.

Spotlight — New world business newsletter — Economist Intelligence Unit — Warren S. Lockwood Associates, 1701 K Street, N. W., Washington 6, D. C. $60 per year.

Stock Ownership Plans for Employees — Study — New York Stock Exchange, New York 5, N. Y. (paper).

Robert Baird Adds

(Special to The Financial Chronicle)

WAUSAU, Wis. — Edward H. Seim is with The Milwaukee Company, First American State Bank Building.

Allan B. Salinger

Allan B. Salinger, member of the New York Stock Exchange and a partner in Arthur Wiesenberger & Co., New York City, passed away Dec. 28 at the age of 49.

Continued from first page

Stock Prices During Inflation

flation. We should remember, too, that the continual inflation and prospect for more inflation is not a new condition. The prospect for inflation is no greater today than it was in 1937, when the D.-J. Industrial Average declined from 194 to 99, and not even as strong as it was in 1942 when this stock price average sank as low as 92 in April, which figure is less than ⅓ of today's stock price level. For more than 20 years, we have been predicting the continuation of inflation in the United States, and we still predict that in the long run the cost of living will be even higher. However, the trend has been slower recently, and in the last five years the rise in the cost of living has averaged only 1% per year.

Inflation means many things to many people; but for the purpose of this article I will define inflation as "an increase in the dollar cost of living." The essence of inflation is a loss in the purchasing power of cash.

Inflation in Various Nations

Recent loose thinking on the subject of inflation is a danger to sound investment management. The purpose of this article is to emphasize that inflation is only one of many factors which influence stock prices. This point is illustrated by Chart I, which shows the amount of inflation in each of 23 nations during the 7 years from 1948 to 1955 and also the change in stock prices in those nations. In the United States, inflation was only 11%, whereas stock prices increased 161%; but in the Union of South Africa there was an inflation of 36% while gold stock prices declined 26% and industrial stock prices 40%. On this chart you will notice very little, if any, correlation between the degree of inflation and the changes in stock prices. Among the five nations where stock prices increased most, only one nation is included also among the five suffering greatest inflation. In Germany where stock prices rose most there was very little inflation; whereas in Australia, with the second greatest inflation, stock prices rose very little.

Such disparities can be found also in the history of the United States. From the low of September, 1953 to the high in April, 1956, stock prices more than doubled, the steepest rise in a score of years; but during this time the purchasing power of the dollar did not change at all. On the other hand, in those two years from January, 1946 to January, 1948, which witnessed the maximum inflation for any two-year period since 1920, stock prices actually declined 11%.

There is no easy road to success in investment management; and this rule applies just as much during inflation as at other times. Among the many factors which influence stock prices, inflation is far less important than dividends and earnings. Of course, inflation can and often does influence the level of earnings; but earnings are influenced also by taxation, price controls, business cycles, socialization, competitive changes, management changes, technological changes and by a multitude of other strong influences. Although a nation may have a long-term trend toward inflation, nevertheless, corporation earnings can decline and there can be drastic declines in share prices.

Share Prices by Industry Groups

Chart II illustrates the fact that shares of companies owning natural resources are not always the best shares to own even when a nation has a trend toward inflation. This chart shows the price increases and decreases for 29 industry groups (computed by Cowles Commission) for the five years of maximum inflation during and after World War I from June, 1915 to June, 1920. Those investors planning to buy natural resource stocks because they expect inflation to continue should notice on this chart that none of the three groups with best records were natural resource groups; but all three of those with worst records were natural resource groups.

An even stronger illustration is to remember the rush of investors to buy gold mining stocks in 1932 for fear of inflation. The largest producer of gold in North America at that time was Lake Shore Mines. If $10,000 had been invested in Lake Shore Mines at the average price for 1932, such investment on Oct. 1, 1956, would have been worth only $1,500. If such money had been invested instead in 1932 in shares of Square D Co., an electrical manufacturer, at its average price then, such investment would now be worth $1,200,000.

Chart II shows also the record of 31 stock groups (computed by Barron's) for the five years of maximum inflation after World War II when the government began to remove price controls. It is instructive to see how very different the market action of each group was during the separate periods of inflation in the same nation. In both periods, however, the best gainers were those groups whose earnings gained most. In some cases but not all, this included certain natural resource groups. Shares of companies owning natural resources are good selections for investment only if there are reasons for expecting a large increase in earnings. Often this depends on whether there is prospect for a surplus or a scarcity of that particular resource. Because the U. S. buying price for gold has remained unchanged for 23 years, shares of gold producers have been poor investments. Oil shares were poor investments from 1926 to 1940 when the price of oil went down from $2.04 to $1.02 a barrel; but because after World War II the price of crude oil increased 141%, prices of oil shares have led the field as shown in Chart II.

Selection of best shares for investment depends not on vague popular ideas like "inflation" and "natural resources," but on continuous and careful study of a multitude of influences in order to foresee which companies are most likely to enjoy the greatest increase in earnings per share. The price of Lake Shore went down as mentioned above because earnings decreased from $3.90 a share in 1932 to 22c a share in 1955. The price of Square D increased because earnings rose from 4c deficit to $1.65 profit.

Conclusion

Part of an investment counselor's work is to protect his client's invested wealth, insofar as possible, against effects of the continued inflation, which we foresee. The work is complex and difficult for two reasons. First is the fact that the general level of stock prices sometimes declines drastically even in a nation with a long-term trend toward inflation. Secondly, history teaches us that the best kinds of investments to own are not the same during inflationary periods in different nations nor in the same nation at different times.

The cost of living in the United States has had an intermittent upward trend for 60 years and has almost quadrupled. Nevertheless, during this period there have been seven market cycles in which the stock price index declined from 35% to 85% below its preceding high. Long waves of investor optimism alternate with waves of pessimism. Stock prices are carried sometimes far above intrinsic value and at other times far below. It is human nature to become overconfident and sometimes get overloaded with common stocks after years of optimism and rising prices; and it is human nature to worry and even to reduce stock holdings after watching prices decline for years. Successful investment requires that the investor should protect himself against these popular moods by developing a sensible long-range program and then having the fortitude to follow it. Every investor should have a comprehensive and long-range investment program, clearly outlined in writing in all details.

Among the inflations studied, we have found none in which the ownership of bonds and mortgages provided good protection. Investors interested primarily in protection against a rising cost of living should not buy bonds for permanent holding (except, of course, convertibles or the index bonds recently designed in Europe especially for inflation protection). However, high-grade bonds are very useful as a reserve fund accumulated by profit-taking during the upper phase of a stock market cycle for the purpose of providing the means by which funds will be available later to buy real bargains in the lower phase of the cycle. The man who had enough fortitude to go against the crowd and shift some funds from stocks into safe bonds in 1929 was able to reinvest such funds to great advantage three years later. Similar situations occurred in 1937-42 and 1946-49. In the United States and in many other nations common stocks have eventually proved to be good protection against inflation, although sometimes the prices and dividends have lagged behind the cost of living for many years. The cost of living is now 3.7 times as high as the average for the years 1895-99; but the dividends on industrial stocks are 13 times as high and the prices of industrial stocks are at the moment 16 times as high. To illustrate again the difficulties of inflation protection, however, we should note that in 1895-99 the holdings of investors in listed railroad stocks were several times as great as their holdings of listed industrial stocks; and the index of railroad stock prices has risen less than half as much as the cost of living.

In conclusion, investment management requires clear thinking about a multitude of influences and farsighted analysis of the earnings prospects for each individual company. Economic trends do point to much higher prices for most stocks in the U. S. eventually; but during these times of loose talk about inflation, investors should remember that inflationary trends are sometimes interrupted by deflation, that drastic declines in stock prices can occur despite longer-range inflationary trends, and that popular theories are not safe guides for selecting the best kinds of investments.

CHART I

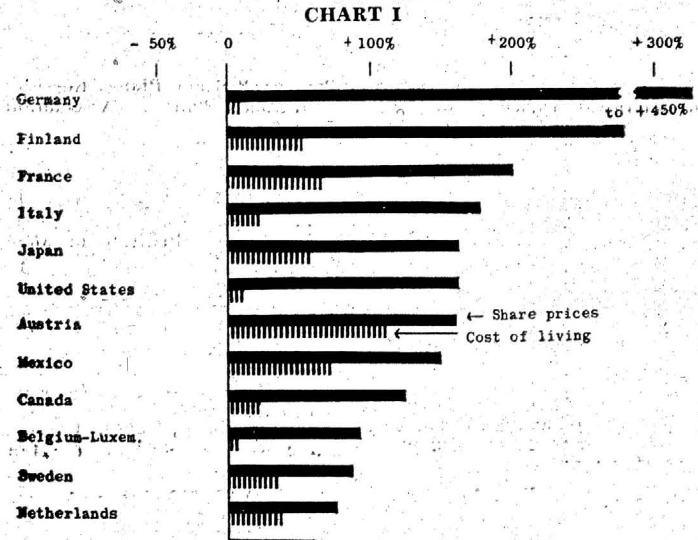

CHART I

CHART II

"A"

CHANGE IN STOCK PRICES

For the 5 Years of Maximum Inflation During and After World War I
June, 1915 — June, 1920

SOURCE: Cowles Commission Series P

Industry	%
Auto	+220
Shipping & Shipbuilding	+186
Street Railway	+146
Coal	+134
Textile	+116
Household Equipment	+113
COST OF LIVING	+106.5
Machinery	+104
Sugar	+103
Office Equipment	+ 93
Fertilizer	+ 82
Steel	+ 79
Leather	+ 75
Retail Trade	+ 74
Oil	+ 73
Railroad Equipment	+ 63
Food	+ 61
Rubber	+ 59
Chemicals	+ 50
Farm Machinery	+ 49
INDUSTRIAL STOCKS	+ 33
Miscellaneous Services	+ 28
All Stocks	— 1
Tobacco	— 3
Electrical Equipment	— 7
Misc. Manufacturing	— 8
Copper	— 16
Railroad	— 24
Utilities	— 30
Mining & Smelting	— 45
Paper	— 48
Lead & Zinc	— 62

"B"

CHANGE IN STOCK PRICES

For the 5 Years of Maximum Inflation After World War II
February, 1946 — February, 1951

SOURCE: Barron's Group Stock Avgs.

Industry	%
Oil	+ 75
Chemicals	+ 59
Steel	+ 58
COST OF LIVING	+ 41.6
D. J. R. R.	+ 35
Liquor	+ 33
Insurance	+ 31
Paper	+ 30
Office Equipment	+ 29
Farm Equipment	+ 28
D. J. I. A.	+ 27
Rubber	+ 24
Investment Trust	+ 23
Retail Merchandise	+ 21
Drugs	+ 20
Copper, Lead & Zinc	+ 14
Food & Beverage	+ 13
D. J. Utilities	+ 7
Aircraft Manufacturing	+ 6.2
Auto	— 6.1
Textiles	+ 5
Bldg. Material & Equip.	+ 3
Banks	+ 1
Electrical Equipment	— 1
Financing	— 2
Heavy Machinery	— 8
Auto Equipment	— 17
Tobacco	— 18
Packing	— 20
Gold Mining	— 22.5
Air Transport	— 27
Railroad Equipment	— 34
Motion Pictures	— 43

Saltzman Partner In Goldman, Sachs

Charles E. Saltzman, former United States Government official and a former Vice-President of the New York Stock Exchange, was admitted as a general partner in Goldman, Sachs & Co., 30 Pine Street, New York City, on Jan. 1, 1957.

Mr. Saltzman became associated with Goldman, Sachs & Co. on Sept. 17, 1956, prior to which he was a partner for seven years in the private investment firm of Henry Sears & Co. A graduate of West Point and a former Rhoades Scholar, he was on the staff of the New York Stock Exchange from 1935 to 1949, serving as Secretary of the Exchange in 1938 and as a Vice-President in 1939. During World War II he was on active duty in the Army, serving overseas for nearly four years and being appointed a brigadier general in January, 1945. He is now a major general in the active Army Reserve.

Twice since World War II he has served in the government in Washington while on leave from his business, once as Assistant Secretary of State and once as Under Secretary of State for Administration. He is a director of the Milbank Memorial Fund, the Seamen's Church Institute of New York and the Foreign Policy Association and a trustee of Barnard College.

Now Thill Secs. Corp.

(Special to The Financial Chronicle)

MILWAUKEE, Wis.—Thill Securities Corporation, 704 North Broadway, has been formed to continue the investment business of Lewis D. Thill. Officers are Lewis D. Thill, President and Treasurer; Mrs. Carol Thill, Vice-President and Secretary.

Alfred B. North

Alfred B. North, head of the investment counselling firm of Alfred B. North & Co., passed away Dec. 31 following a heart attack.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

● Allied Resources Fund, Inc., Minneapolis, Minn.
Dec. 14 filed 400,000 shares of common stock (par one cent). **Price**—At market. **Proceeds** — For investment. **Underwriter**—Fund Corp., 523 Marquette Ave., Minneapolis, Minn.

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.]

★ Arcoa, Inc., Portland, Ore.
Dec. 26 filed $3,000,000 of U-Haul Fleet Owner Contracts to be offered to owners of a fleet of rental trailers each accompanied by a clamp-on automobile hitch. **Purpose** —To increase the number of trailers for rent in the System.

● Arkansas Louisiana Gas Co. (1/15)
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.

★ Associated Fund, Inc., St. Louis, Mo.
Dec. 26 filed (by amendment) 25,000 additional full paid accumulative certificates.

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. (1/21)
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. (1/21)
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. **Offering** —Expected today (Jan. 3).

Burma Shore Mines, Ltd., Toronto, Canada
July 26 filed 600,000 shares of capital stock, of which 500,000 shares are to be offered publicly, and 100,000 shares to promoters. **Price**—At par ($1 per share). **Proceeds** — For equipment, exploration, drilling, working capital and other general corporate purposes. **Underwriter**—To be named later.

Centers Corp., Philadelphia, Pa.
July 30 filed $8,000,000 of 5½% sinking fund debentures due Aug. 1, 1971, and 1,600,000 shares of common stock (par one cent); subsequently amended to $4,500,000 of debentures. **Price** — To be supplied by amendment. **Proceeds** — About $4,100,000 will be used to acquire seven shopping center sites and a Penn Fruit supermarket adjacent to one of them; the balance will be used to develop shopping centers at the seven sites and to acquire and develop additional sites for related real estate activities, and for general corporate purposes. **Underwriter** — Blair & Co. Incorporated, Philadelphia and New York. Latter has agreed to purchase an additional 300,000 common shares and reoffer them to persons selected by it at $1.10 per share. **Offering**—Date indefinite.

Century Controls Corp., Farmingdale, N. Y.
Aug. 27 filed $600,000 of 10-year 6% debentures. **Price**—90% of principal amount. **Proceeds**—For research and development; expansion; equipment; and other corporate purposes. **Underwriter** — None.

Chinook Plywood, Inc., Rainier, Ore.
Sept. 4 filed 200 shares of common capital stock. **Price**—At par ($3,000 per share). **Proceeds**—For acquisition of a plant site, construction of a mill building, purchase and installation of machinery and equipment, and as operating capital. **Underwriter** — Industry Developers, Inc.

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.

★ Concord Fund, Inc., Boston, Mass.
Dec. 28 filed (by amendment) 250,000 additional shares of common stock. **Price**—At market. **Proceeds**—For investment.

Continental Copper & Steel Industries, Inc. (1/10)
Dec. 18 filed 170,000 shares of common stock (par $2) 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; subscription warrants to expire on Jan. 28, 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.

Diversified Oil & Mining Corp., Denver, Colo.
Aug. 29 filed 2,500,000 shares of 6% convertible noncumulative preferred stock, first series (par $1), and warrants to purchase 500,000 shares of common stock (par 10 cents) to be offered for subscription initially by common stockholders in units of 25 preferred shares and a warrant to purchase five common shares. **Price**—$25.50 per unit (each warrant will entitle the holder to purchase one common share at any time prior to Dec. 31, 1957 at $2 per share). **Proceeds**—To repay mortgages, to $1,312,500 of five-year 6% sinking fund debentures, and for further acquisitions and working capital. **Underwriter**—To be named by amendment.

Douglas Corp., Fort Collins, Colo.
July 27 filed 4,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds** — For exploration, development and acquisition of properties and for working capital. **Underwriter**—Columbia Securities Co., Denver, Colo.

● Drexel Furniture Co., Drexel, N. C.
Dec. 12 filed 190,000 shares of common stock (par $2.50) to be offered in exchange for common stock and class B common stock of Heritage Furniture, Inc., High Point, N. C., and for common stock of Morganton Furniture Co., Morganton, N. C., on the following basis: 1½ shares of Drexel stock for each Heritage share and three-quarters of a share of Drexel stock for each Morganton share. These offers are contingent upon acceptance of not less than 80% of the 665 outstanding class B shares of Heritage and of the 80,000 common shares of Morganton; and not less than 64,992 of the 70,910 outstanding class B shares of Heritage. The offers will expire on Jan. 18, 1957, unless extended. **Soliciting Agent**—R. S. Dickson & Co., Charlotte, N. C.

● Economics Laboratory, Inc. (1/11)
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.

★ Flick-Reedy Corp., Melrose Park, Ill.
Dec. 28 filed $1,200,000 of 6% registered subordinated debentures due Feb. 1, 1972, and 120,000 shares of common stock (par $1) to be offered to employees, customers and certain other individuals in units of $100 of debentures and 10 shares of stock. **Price**—$115 per unit. **Proceeds** — For expansion and general corporate purposes. **Underwriter**—None.

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.

● Ford Gum & Machine Co., Inc.
Dec. 18 (letter of notification) $250,000 of 6% first mortgage bonds due 1962 to 1967, inclusive. **Price**—100% of principal amount. **Proceeds**—For machinery and working capital. **Office**—Hoag and Newton Sts., Akron, N. Y. **Business**—Manufacturing chewing gum and self-service machines. **Underwriter**—None.

★ Franklin Discount Co.
Dec. 19 (letter of notification) $100,000 of 8% subordinated debentures. **Price**—At face amount. **Proceeds**—For working capital. **Office**—127 North Sage St., Toccoa, Ga. **Underwriter**—None.

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 Shoe Corp., Nashville, Tenn.
Dec. 26 filed 72,000 shares of common stock (par $1) to be offered under the company's Employee Stock Purchase Plan; 36,000 shares to be offered under its Savings Fund-Employee Stock Purchase Plan; and 72,000 shares to be offered under its Special Stock Purchase Plan.

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 construc-

tion. **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.

● **Hawaiian Pineapple Co., Ltd.**
Nov. 29 filed 413,920 shares of common stock (par $7.50) being 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**—$10 per share. **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.

★ **Household Finance Corp., Chicago, Ill. (1/15)**
Dec. 26 filed $30,000,000 of sinking fund debentures due 1977. **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term loans. **Underwriters**—Lee Higginson Corp. and White, Weld & Co., both of New York; and William Blair & Co., Chicago, Ill.

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NEW ISSUE CALENDAR

January 3 (Thursday)

Southern Pacific Co.__________Equip. Trust Ctfs.
(Bids noon EST) $9,600,000

January 4 (Friday)

Hub Oil Co.__________Common
(Skyline Securities, Inc.) $290,000

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

Sunrise Fund, Inc.__________Common
(Sunrise Capital Corp.) $2,500,000

January 7 (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

Illinois Power Co.__________Common
(The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane) 200,000 shares

K D I Corp.__________Preferred
(McDonald, Holman & Co., Inc.) $499,996

Standard Oil Co. (Ohio)__________Debentures
(F. S. Moseley & Co.) $25,000,000

January 8 (Tuesday)

New England Tel. & Tel. Co.__________Debentures
(Bids 11 a.m. EST) $35,000,000

Northwestern Public Service Co.__________Common
(Offering to stockholders—to be underwritten by A. C. Allyn & Co., Inc.) 54,120 shares

Southern Ry.__________Equipment Trust Ctfs.
(Bids noon EST) $5,540,000

January 9 (Wednesday)

Aluminum Co. of America__________Debentures
(The First Boston Corp.) $125,000,000

Huntington National Bank (Ohio)__________Common
(Offering to stockholders) $2,000,000

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) $12,000,000

Pacific Power & Light Co.__________Preferred
(Bids 11 a.m. EST) $9,000,000

Wabash RR.__________Equip. Trust Ctfs.
(Bids Noon EST) $3,780,000

January 10 (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

Sears Roebuck Acceptance Corp.__________Debentures
(Goldman, Sachs & Co.; Halsey, Stuart & Co. Inc.; and Lehman Corp.) $50,000,000

January 11 (Friday)

Niagara Mohawk Power Corp.__________Debentures
(Offering to stockholders—underwritten by Harriman Ripley & Co. Inc.) $46,224,200

Ohio Water Service Co.__________Common
(Offering to stockholders—to be underwritten by Blair F. Claybaugh & Co.) 11,295 shares

January 15 (Tuesday)

Arkansas Louisiana Gas Co.__________Common
(Eastman Dillon, Union Securities & Co. and Stephens, Inc.) 364,454 shares

Community Research & Development, Inc.__________Debs.
(Alex. Brown & Sons) $3,000,000

Eternalite, Inc.__________Class A Common
(Vickers Brothers) $900,000

Household Finance Corp.__________Debentures
(Lee Higginson Corp.; White, Weld & Co.; and William Blair & Co.) $30,000,000

Louisiana Power & Light Co.__________Bonds
(Bids noon EST) $20,000,000

Missouri Public Service Co.__________Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co.) 319,894 shares

New England Electric System__________Common
(Exchange offer—Paine, Webber, Jackson & Curtis and F. S. Moseley & Co. to act as dealer-managers) 819,000 shares

Pacific Petroleums, Ltd.__________Debentures
(Eastman Dillon, Union Securities & Co.) $15,000,000

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 (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 (Thursday)

Chicago & Eastern Illinois RR.__________Equip. Tr. Ctfs
(Bids noon CST) $1,980,000

Oklahoma Gas & Electric Co.__________Bonds
(Bids 10:30 a.m. EST) $20,000,000

Riegel Textile Corp.__________Debentures
(Morgan Stanley & Co.) $12,000,000

January 21 (Monday)

Brewster-Bartle Drilling Co., Inc.__________Debentures
(White, Weld & Co and Rowles, Winston & Co.) $2,000,000

Brewster-Bartle Drilling Co., Inc.__________Common
(White, Weld & Co. and Rowles, Winston & Co.) 100,000 shares

Maine Fidelity Fire & Casualty Co.__________Common
(McLaughlin, Cryan & Co.) $1,243,750

January 22 (Tuesday)

Cincinnati, New Orleans, Texas & Pacific Ry.__________Equip. Trust Ctfs.
(Bids to be invited) approximately $4,000,000

Pacific Gas & Electric Co.__________Bonds
(Bids to be invited) $35,000,000

Southern Indiana Gas & Electric Co.__________Bonds
(Bids to be invited) $5,000,000

Southwestern Gas & Electric Co.__________Bonds
(Bids to be invited) $10,000,000

January 23 (Wednesday)

American Machine & Foundry Co.__________Debentures
(Offering to stockholders—to be underwritten by Eastman Dillon, Union Securities & Co.) $13,000,000 to $14,000,000

Atlantic City Electric Co.__________Bonds
(Bids 11 a.m. EST) $10,000,000

Chicago, Milwaukee, St. Paul & Pacific RR.__________Equip. Trust Ctfs.
(Bids to be invited) about $3,000,000

Rohr Aircraft Corp.__________Debentures
(The First Boston Corp. and Lester, Ryons & Co.) $7,500,000

Western Light & Telephone Co., Inc.__________Common
(Offering to stockholders—to be underwritten by Dean Witter & Co.) about 65,000 shares

January 24 (Thursday)

Pittsburgh & Lake Erie RR.__________Equip. Trust Ctfs.
(Bids to be invited) $6,720,000

January 29 (Tuesday)

Mountain States Tel. & Tel. Co.__________Debentures
(Bids to be invited) $35,000,000

Trans-Canada Pipe Lines, Inc.__________Debentures & Common
(Lehman Brothers; Stone & Webster Securities Corp.; and White, Weld & Co. in United States. Nesbitt, Thomson & Co., Ltd.; Wood, Gundy & Co., Ltd.; McCloud, Young, Weir & Co., Ltd.; and Osler, Hammond & Nanton, Ltd.) $120,000,000

January 30 (Wednesday)

Colorado Fuel & Iron Corp.__________Debentures
(Allen & Co.) $20,000,000

January 31 (Thursday)

Brunswick-Balke-Collender Co.__________Debentures
(Offering to stockholders—may be unmerwritten by Lehman Brothers) $5,800,000

Ohio Edison Co.__________Common
(Offering to stockholders bids to be invited)

Socony Mobil Oil Co.__________Common
(Offering to stockholders—to be underwritten by Morgan Stanley & Co.) about 4,400,000 shares

February 1 (Friday)

Tower Acceptance Corp.__________Class A Common
(S. D. Fuller & Co. $1,000,000

February 4 (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 5 (Tuesday)

Baltimore & Ohio RR.__________Equip. Trust Ctfs.
(Bids to be invited) $3,060,000

February 7 (Thursday)

Phillips Petroleum Co.__________Debentures
(Offering to stockholders—to be underwritten by The First Boston Corp.) about $171,000,000

February 14 (Thursday)

New York, Chicago & St. Louis RR.__________Equip. Trust Ctfs.
(Bids to be invited) $6,400,000

February 19 (Tuesday)

New England Power Co.__________Bonds
(Bids to be invited) $10,000,000

Southern California Edison Co.__________Bonds
(Bids to be invited) $37,500,000

February 26 (Tuesday)

Illinois Bell Telephone Co.__________Bonds
(Bids to be invited) $40,000,000

March 5 (Tuesday)

Columbus & Southern Ohio Electric Co.__________Bonds
(Bids to be invited) $16,000,000

March 19 (Tuesday)

Appalachian Electric Power Co.__________Bonds
(Bids to be invited) $29,000,000

March 26 (Tuesday)

American Telephone & Telegraph Co.__________Bonds
(Bids to be invited) $250,000,000

April 11 (Thursday)

Mississippi Power Co.__________Bonds
(Bids to be invited) about $6,000,000

May 9 (Thursday)

Alabama Power Co.__________Bonds
(Bids to be invited) about $19,000,000

June 6 (Thursday)

Georgia Power Co.__________Bonds
(Bids to be invited) about $20,000,000

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★ Hub Oil Co., Denver, Colo. (1/4)
Dec. 18 (letter of notification) 290,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To buy leases; for exploration and drilling. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

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** — To be received up to 11 a.m. (EST) on Jan. 7, at Bankers Trust Co., 46 Wall St., New York, N. Y.

● Illinois Power Co. (1/7)
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.

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. Public offering will be made by employees of the company and qualified licensed dealers.

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. (1/21-25)
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, 1956 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. Reoffering is expected sometime during the first six months of 1957.

★ Midland Acceptance Corp.
Dec. 20 (letter of notification) 15,000 shares of common stock. **Price** — At par ($10 per share). **Proceeds**—For expansion and working capital. **Office** — 21 North 3rd St., Minneapolis, Minn. **Underwriter**—None.

★ Midland Commercial Corp., New York
Dec. 28 filed $480,000 of 10-year 7% subordinated convertible debentures. **Price**—100% of principal amount. **Proceeds**—For working capital, to finance expansion of Northern Appliance Stores, Inc., a subsidiary, and for other corporate purposes. **Underwriters**—A. J. Grayson & Co., Inc., New York, N. Y.; A. J. Grayson & Co. of New Jersey, Inc., Newark, N. J.; and A. J. Grayson & Co. of Maryland, Inc., Baltimore, Md.

★ Midland Commercial Corp., New York
Dec. 28 filed 187,500 shares of common stock (par 10 cents), of which 52,500 shares are to be offered for cash at par to certain individuals, and the remaining 135,000 shares are to be offered by Albert J. Grayson (controlling stockholder) to stockholders of Ramie Corp. and South Canada Uranium Corp. in exchange for common stock of those corporations on the basis of one share of Midland for each Ramie share and one share of Midland for each five shares of South Canada common stock. **Proceeds**—To selling stockholder. **Underwriters**—A. J. Grayson & Co., Inc., New York, N. Y.; A. J. Grayson & Co. of New Jersey, Inc., Newark, N. J.; and A. J. Grayson & Co. of Maryland, Inc., Baltimore, Md.

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.

★ Mississippi Portland Cement Co.
Dec. 26 filed 1,600,000 shares of capital stock (no par), of which 708,511 shares are subject to an offer of rescission. **Price**—$3 per share. **Proceeds**—For completion of plant, provide for general creditors and for working capital. **Office**—Jackson, Miss. **Underwriter**—None, offering to be made through company's own agents.

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.

★ Mutual Small Group Investors Corp.
Dec. 26 (letter of notification) 50 Mutual Title Units. **Price**—$1,000 each. **Proceeds**—To make initial payment for Massapequa Shopping Center. **Office** — 110 Fifth Ave., New York 11, N. Y. **Underwriter**—None. Offer to be made only to legal residents of New York State.

● 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, 1955 filed 50,000 shares of class A common stock (par $2) and 50,000 shares of class B common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office** — Little Rock, Ark. **Underwriter** — Equitable Securities Corp., Nashville, Tenn., and New York, N. Y. **Offering** — Indefinitely postponed.

New 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 (1/15)
Dec. 3 filed 819,000 shares of common stock (par $1) to be offered in exchange for capital stock of Lynn Gas & Electric Co. on the basis of two NEES shares for each Lynn share. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and F. S. Moseley & Co., both of Boston, Mass.

New 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**—To be received up to 11 a.m. (EST) on Jan. 8, 1957, at Room 2315, 195 Broadway, New York, N. Y.

● Niagara Mohawk Power Corp. (1/11)
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.

★ Nic-L-Silver Battery Co., Santa Ana, Calif.
Dec. 27 filed 75,000 shares of 5% cumulative participating preferred stock and 7,500 shares of common stock. **Price**—At par ($10 per share). **Proceeds** — To liquidate a bank loan of $178,635; increase inventories; and for working capital and general corporate purposes. **Underwriter**—None.

● Northwestern Public Service Co. (1/8)
Dec. 18 filed 54,120 shares of common stock (par $3) to be offered for subscription by common stockholders of record Jan. 7, 1957 on the basis of one new share for each 10 shares held; rights to expire on Jan. 22. **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.

★ Ohio Water Service Co., Struthers, Ohio (1/11)
Dec. 21 (letter of notification) 11,295 shares of common stock (par $10) to be offered for subscription by common stockholders on the basis of one share for each 12 shares held as of Jan. 11, 1957. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—Blair F. Claybaugh & Co., Harrisburg, Pa.

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 Gas & Electric Co. (1/22)
Dec. 28 filed $35,000,000 of first and refunding mortgage bonds, series AA, due Dec. 1, 1986. **Proceeds**—To repay short term bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. **Bids**—Expected to be received on Jan. 22.

● Pacific Petroleums Ltd. (1/15)
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 (reduced by amendment filed Dec. 21, to $12,000,000). **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**—To be received up to 11 a.m. (EST) on Jan. 9 at Two Rector St., New York 6, N. Y.

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** — To be received up to 11 a.m. (EST) on Jan. 9 at Two Rector St., New York 6, N. Y.

• 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. Letter to be withdrawn.

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.

★ Permaspray Manufacturing Corp., League City, Texas
Dec. 14 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To buy materials, machinery and equipment. **Underwriter**—Benjamin & Co., Houston, Texas.

Pittsburgh Consolidation Coal Co.
Oct. 3 filed 2,678,697 shares of common stock (par $1) being offered in exchange for common stock of Pocahontas Fuel Co. on the basis of 2⅝ shares of Pittsburgh for each Pocahontas common share. The offer, which has been declared effective, has been extended until 3 p.m. (EST) on Feb. 1, 1957.

Puerto Rican Jai Alai, Inc.
July 27 filed $1,500,000 of 12-year 6% first mortgage bonds due 1968, and 300,000 shares of common stock (par $1) to be offered in units of a $500 bond and 100 shares of stock. **Price** — To be $500 per unit. **Proceeds** — For construction of fronton and related activities. **Office**—San Juan, Puerto Rico. **Underwriters**—Crerie & Co., Houston, Texas; Dixon Bretscher Noonan, Inc., Springfield, Ill.; and Aetna Securities Corp., New York. **Offering**—Date indefinite.

Pyramid Productions, Inc., New York
Sept. 27 filed 220,000 shares of common stock (par $1), of which 200,000 shares are to be offered to public and 20,000 shares issued to underwriter. **Price**—$5 per share. **Proceeds**—To retire $125,000 of outstanding 15% debentures as well as a $173,180 debt to Trans-Union Productions, Inc.; and for working capital. **Business**—Television releases. **Underwriter**—E. L. Aaron & Co., New York.

Redi-Food Co., Inc.
Oct. 8 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—To purchase plant and equipment. **Office**—2505 Butler Place, New York City. **Underwriter**—Hopp & Co., Passaic, N. J.

• Riegel Textile Corp. (1/17)
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.

★ Rohr Aircraft Corp., Chula Vista, Calif. (1/23)
Dec. 27 filed $7,500,000 of convertible subordinated debentures due 1977. **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term bank loans, and for expansion and working capital. **Underwriters**—The First Boston Corp., New York; and Lester, Ryons & Co., Los Angeles, Calif.

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 $28.50 for each share. **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. Registration to be withdrawn.

Southern New England Telephone Co.
Sept. 19 filed 679,012 shares of capital stock (par $25) to be offered for subscription by stockholders at the rate of one new share for each eight shares held. **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. **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 Gas & Electric Co. (1/22)
Dec. 26 filed $10,000,000 of first mortgage bonds, series G, due Jan. 1, 1987. **Proceeds**—To prepay about $6,000,000 of temporary bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Salomon Bros. & Hutzler; Blyth & Co., Inc.; Lehman Brothers; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected to be received on Jan. 22.

Southwestern Public Service Co. (1/16)
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. **Underwriters**—Hamlin & Lunt, Buffalo, N. Y.; Allen & Co. and Cowen & Co., both of New York, N. Y.; and Straus, Blosser & McDowell, Chicago, Ill.

Standard Oil Co. (Ohio) (1/7-10)
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.

★ Sterling Investment Fund, Inc., Charlotte, N. C.
Dec. 26 filed (by amendment) 100,000 additional shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

• Sunrise Fund, Inc., New York, N. Y. (1/4)
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.

★ Sunset Country Club, Snappington, Mo.
Dec. 26 filed $643,800 of 1% first mortgage bonds due Dec. 1, 1986, to be offered for subscription by stockholders of the Club. **Price**—At 100% of principal amount (in denominations of $1,850 each). **Proceeds**—To retire a $55,000 mortgage; and erect new clubhouse, etc. **Underwriter**—None.

Texas Calgary Co., Abilene, Texas
Sept. 25 filed 3,700,000 shares of capital stock (par 25 cents). **Price**—At market from time to time on the American Stock Exchange or the Toronto Stock Exchange or by private sale. **Proceeds**—To A. P. Scott, the selling stockholder. **Underwriter**—None.

Texas Fuel Corp., Clarksville, Texas
Nov. 29 (letter of notification) 120,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—To pay bank loans, financing of time payment sales of appliances and air conditioners and for working capital. **Underwriter**—Franklin Securities Co., Dallas, Texas.

Theatrical Interests Plan, Inc., New York City
Oct. 30 filed 52,000 shares of class A stock (par five cents) and 28,000 shares of class B stock (par five cents). **Price**—Of class A, expected at $10 per share in lots of not less than 25 shares; of class B, expected at par. **Proceeds**—For investment in theatrical and entertainment fields. **Business**—A non-diversified closed-end management investment company. **Underwriter**—None.

Thermoray Corp.
June 29 (letter of notification) 380,000 shares of common stock (par 10 cents). **Price** — 75 cents per share. **Proceeds**—For inventory, working capital, etc. **Business**—Electrical heating. **Office**—26 Avenue B, Newark, N. J. **Underwriter**—Eaton & Co., Inc., New York.

• Title Guarantee & Trust Co., New York
Nov. 21 filed 61,902 shares of capital stock (par $8) of which 35,750 shares are to be offered for subscription by stockholders on the basis of one new share for each eight shares held; and the remaining 26,152 shares are to be offered, together with cash, in exchange for stock of Abstract & Title Insurance Corporation of Buffalo, Rochester and Lockport, N. Y., on the basis of $15.25 in cash and 4/10ths of a share of Title Guarantee stock in exchange for each share of Abstract. The subscription offer to Title Guarantee stockholders becomes effective if latter company acquires at least 85% of the Abstract stock. The purchase offer will expire on Jan. 10, 1957, unless extended to Feb. 28, 1957. **Price**—To be supplied by amendment. **Proceeds**—To acquire Abstract stock. **Underwriter**—None. Statement effective Dec. 17.

• Tower Acceptance Corp., Houston, Tex. (2/1)
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.

• Trans-Canada Pipe Lines, Ltd. (1/29)
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.

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 Realty Investors, Inc.
Dec. 18 (letter of notification) $250,000 of 9% registered mortgage bonds due in 50 equal and successive monthly installments. **Price**—100% of principal amount. **Proceeds**—To create or acquire mortgages on real estate. **Office**—179-30 Hillside Ave., Jamaica 32, N. Y. **Underwriter**—None.

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.

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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. (1/23)**
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 common stockholders of record Jan. 22, 1957; rights expiring on Feb. 7. **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.

★ **Anaconda Co.**
Dec. 27 the directors tentatively approved a proposal to offer to stockholders the right to subscribe for some additional capital stock. **Proceeds**—For expansion program which is expected to cost $100,000,000 in 1957. **Underwriter**—Hallgarten & Co., New York. **Registration**—Expected during latter part of January.

● **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.

★ **Baltimore & Ohio RR. (2/5)**
Bids are expected to be received by the company on Feb. 5 for the purchase from it of $3,060,000 equipment trust certificates dueannually from 1958 to 1972, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Bayless (A. J.) Markets, Inc., Phoenix, Ariz.
Nov. 27 it was reported company plans to issue and sell 750,000 shares of common stock. **Underwriter** — H. M. Byllesby & Co., Inc., Chicago, Ill. **Registration**—Planned in January. **Offering**—Expected in mid-February.

Brazos River Gas Co. (Texas)
Nov. 12 it was reported that early registration is expected of approximately 200,000 shares of common stock of this company, formerly Upham Gas Co. **Price**—Expected to be about $5 per share. **Proceeds**—To selling stockholders. **Underwriters**—Shields & Co. and Shearson, Hammill & Co., both of New York.

● **Brunswick-Balke-Collender Co. (1/31)**
Dec. 27 directors authorized issuance and sale of approximately $5,800,000 of new convertible subordinated debentures which are to be offered to stockholders of record Jan. 30, 1957 on the basis of $100 of debentures for each nine shares of stock held. **Proceeds**—For expansion program. **Underwriter**—Probably 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.

● **Chicago & Eastern Illinois RR. (1/17)**
Bids will be received by the company up to noon (CST) on Jan. 17 for the purchase from it of $1,980,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ **Chicago, Milwaukee, St. Paul & Pacific RR. (1/23)**
Bids are expected to be received by the company on Jan. 23 for the purchase from it of about $3,000,000 equipment trust certificates to mature in 30 semi-annual instalments in 1-to-15 years. 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.

★ **Colorado Fuel & Iron Corp. (1/30)**
Dec. 24 it was announced company plans to issue and sell $20,000,000 of 20-year convertible debentures. **Proceeds**—To repay bank loans. **Underwriter**—Allen & Co., New York. **Registration**—Expected to be filed about Jan. 10.

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 initial issue of not to exceed $55,087,300 of 15-year convertible debentures early in 1957, probably the latter part of February. They will be offered to common stockholders for subscription at the rate of $4 principal amount of debentures for each share of common stock held. 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.

★ **First & Merchants National Bank**
Dec. 20 it was announced bank intends to offer to its stockholders rights to subscribe for 45,000 shares of capital stock at the rate of one new share for each five shares held. Stockholders will vote Jan. 8 on approving the offer. **Price**—$45 per share. **Office**—Richmond, Va. **Underwriter** — Scott & Stringfellow, Richmond, Va.

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.

★ **Georgia Power Co. (6/6)**
Dec. 17 it was reported company is planning issuance and sale of about $20,000,000 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.; Morgan Stanley & Co.; Blyth & Co., Inc., Kidder, Peabody & Co. and Shields & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively expected June 6.

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.
Dec. 7 it was reported company plans early registration of 108,160 shares of common stock (par $5), which are intended for offering to common stockholders 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.

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.

★ **Huntington National Bank, Columbus, O. (1/9)**
Dec. 27 it was announced Bank intends to offer to its stockholders of record Jan. 8, 1957 the right to subscribe for 50,000 additional shares of capital stock (par $20) at the rate of one new share for each four shares held; rights to expire on Jan. 23. **Price**—$40 per share. **Proceeds**—To increase capital and surplus.

★ **Illinois Bell Telephone Co. (2/26)**
Dec. 27 it was announced directors have authorized an issue of $40,000,000 first mortgage bonds, series E, due March 1, 1988. **Proceeds**—To repay short-term borrowings and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; Glore, Forgan & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received on Feb. 26.

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") (1/9-16)**
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.

★ **Interstate Power Co.**
Dec. 20 it was reported company expects to issue and sell in May $6,500,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Salomon Bros. & Hutzler; White, Weld & Co. and R. W. Pressprich & Co. (jointly); Smith, Barney & Co.

★ **Iowa Electric Light & Power Co.**
Jan. 2 it was announced that cash required to finance the 1957 construction program will necessitate the sale of securities to the extent of $5,000,000 to $6,000,000. The exact amount to be raised and the type of securities to be sold are now under consideration by the management.

★ **Jefferson Lake Sulphur Co.**
Dec. 27, Eugene H. Walte, Jr., announced company plans in the near future to sell an issue of convertible debentures. **Proceeds**—For expansion program.

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.

★ **Koehring Co.**
Dec. 26 it was reported company plans to issue and sell 200,000 additional shares of common stock (par $2). **Underwriter**—Loewi & Co., Milwaukee, Wis.

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.

★ **Mississippi Power Co. (4/11)**
Dec. 24 it was reported company plans to issue and sell about $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; Kidder, Peabody & Co.; Blair & Co. Incorporated; Eastman, Dillon, Union Securities & Co., Equitable Securities Corp. and Drexel & Co. (jointly). **Bids**—Tentatively expected to be received on April 11.

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. (2/19)**
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). **Bids**—To be received Feb. 19 at 441 Stuart St., Boston 16, Mass.

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. (2/14)**
Bids are expected to be received by the company on Feb. 14 for the purchase from it of $6,400,000 equipment trust certificates due in 1-to-15 years. 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. (2/1)**
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 on or about Jan. 31, 1957 (with an oversubscription privilege); rights to expire on Feb. 15. **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.

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 $100,000,000. **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.

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.

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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 will be received by the company up to noon (EST) Jan. 9 for the purchase from it of $3,780,000 equipment trust certificates to be due in 15 equal annual installments. 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. 27, Earle S. Thomson, President, announced that the company plans to issue during the first quarter of 1957 additional common stock for subscription by stockholders, probably in the ratio of one new share for each 16 shares outstanding. **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).

★ **West Penn Power Co.**
Dec. 27 it was announced company plans to issue some additional senior securities, probably about $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.; Eastman Dillon, Union Securities & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers; The First Boston Corp.; W. C. Langley & Co.; Harriman Ripley & Co. Inc. **Offering**—Expected sometime in July.

• **Western Light & Telephone Co., Inc. (1/23)**
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.

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Commerce Department Survey Indicates Good Prospects Ahead

facturing industry and a continuing rise in the number of employees despite increased mechanization in both the operating and manufacturing fields.

Public Sewerage: Increased demand for sewerage service and for stream pollution abatement is expected to increase the volume of construction in the first half of 1957 to 20% over that of the corresponding period in 1956. A factor in this outlook is the question as to whether or not the bond market would absorb the necessary public bond issues at "reasonable" interest rates.

Public Water Supplies: Increased demand for public water service following occurrence of many shortages in 1956 is expected to raise the volume of construction in this field in the first half of 1957 by about 16% over that of the comparable period of 1956. Here again the bond market appears to be a factor which could deter some needed construction.

Water Well Drilling: Increases in non-farm suburban homes beyond the reach of public water supplies, growing use of sprinkler irrigation systems in eastern states, and the severe 1956 drought in central southern states will require continuance of the present annual level of over 450,000 new water wells.

Power Equipment: Electric utilities have added approximately eight million kilowatts to installed capacity in the past year. New orders for power generating equipment during the first half of 1957 therefore are expected to equal the volume of 1956, which has been a record year. These include steam turbine generators, steam condensers and boilers.

Indications are that industrial activity in the many nuclear fields will continue to expand at an accelerated rate during the next 12 months.

Electrical Equipment: Unspent utility appropriations for 1956 will be added to those for 1957, resulting in an improvement of some 12.5% in the use of power transmission and distribution equipment such as transformers, circuit breakers, heavy power switching, and allied items.

An increase of about 10% may be anticipated in the field of new service and distribution equipment, wiring devices, lighting fixtures and appliances due largely to a vigorous campaign for residence and factory rewiring to meet growing uses of electricity. Due to a continuation of industrial expansion, the outlook in the first six months of 1957 is for an increase of about 10% for the type of electrical equipment used. The outlook for motors and industrial controls appears bright also, with automation and replacements helping to bring an increase in this business to about 10%.

Motion Pictures: New feature pictures will be reaching the screens in 1957 and are expected to represent an important factor in maintaining high level box-office receipts. Gross box-office receipts are estimated at about $1.3 billion for 1956 and there are indications that 1957 receipts may exceed that figure. The foreign market for United States films has been expanding and remittances from abroad in 1957 should be higher than the $210 million estimated for 1956.

Photographic Products: Production and sales to consumers of photographic equipment, material and supplies during the first six months of 1957 are expected to total $864 million, an increase of about 6% over the comparable figure in the first half of 1956. This total does not include processing, developing, or any other photographic reproduction service.

Medical Equipment and Supplies: Personal expenditures for medical equipment and services, exclusive of drugs and burial services, have shown an average annual increase of approximately 6% over the preceding year for the past five years. Expenditures in this area should exceed $10 billion in 1957. This reflects a corresponding increase in sales of medical and hospital equipment and supplies. It is estimated that total shipments of surgical and medical instruments, surgical appliances and supplies, dental equipment and supplies, and ophthalmic goods will approximate $350 million in the first six months of 1957.

Scientific and Industrial Instruments: This $3 billion industry indicated an overall increase in 1956 of 20% over the preceding year, with new production peaks being established for laboratory equipment, optical, electrical, electronic and recorder-controller instrumentation fields. The monthly volume trend in new and unfilled orders over the past year indicates that there should be no diminution in output for the first half of 1957.

Containers: Container manufacturers in general view the first part of 1957 with confidence and optimism. The consensus here is that business will at least approach the high level of 1956, which was expected to exceed slightly the record 1955 overall volume.

Shoes: Production and sales of footwear are expected to continue at record levels during the coming year. A more equitable distribution of production will occur in 1957, with somewhat less volume in the first six months and a greater output in the second half-year. Total for the year should closely approximate production during 1956.

Business Machines: Indications point to an increase of 11 to 15% in sales of business machines in the first half of 1957 over corresponding sales in 1956.

Electronics: Electronics manufacturing and employment will experience a seasonal downswing in the first half of 1957, but total production of electronic equipment and components is expected to be at the same annual rate as in the corresponding period of 1956—$6.1 billion.

Production of consumer products (TV and radio receivers, record players, and related items) may be cut back during the next six months somewhat further than in 1956 in view of the year-end record inventory carryover in the hands of retailers and wholesalers. Factory inventories, however, are at normal levels.

Sales of high unit value color television receivers have not yet expanded to the point where this will contribute substantially to the consumer products dollar volume in the period.

Military electronics production should increase moderately, and production of commercial and industrial electronic equipment and components is expected to go up steadily. This sector of the industry already has grown to the point that it can partially offset seasonal variatons in television and radio receiver production, and was largely responsible for pushing electronics production and employment to new highs in the final months of 1956.

Dollar volume of electronics components (tubes and parts) production should continue at about the 1956 rates. A decline in dollar volume of radio and television receiver components will be offset by a greater demand for components for military and industrial electronic equipment and for maintenance of increasing numbers of household radio and television receivers.

Miscellaneous Metals: Diversion to industry of all nickel scheduled for shipment to Government accounts in the first quarter of 1957 has been authorized. If similar action is taken for the second quarter, there could be an increase of 15 to 20 million pounds for the first six months of 1957 over the supply available in the corresponding period of 1956, attributable to both diversions and some increased Nicaro production. If the maximum increase indicated is made available to industry in the first half of 1957, demand could exceed the supply for the period by 40%.

Output of titanium mill products may total 4,500 tons in the first six months of the new year, compared with an estimated 5,000 tons for the entire year 1956. Titanium sponge production, estimated at 14,500 tons for the full year 1956, may total as much as 12,000 tons in the first half of 1957.

Mine production of both zinc and lead should increase slightly in 1957 over 1956. Consumption of zinc for diecasting metal and for galvanizing shows a definite upward trend, as does lead consumption for tetraethyl lead, batteries, and cable.

Hawaiian Pineapple Offer Underwritten By Dean Witter Group

Hawaiian Pineapple Co., Ltd. is offering to its common stockholders of record Dec. 28, 1956 the right to subscribe on or before Jan. 21, 1957 for 413,920 additional shares of common stock (par $7.50) at $10 per share on the basis of one new share for each four shares held. The offering is underwritten by a group of investment bankers headed by Dean Witter & Co., San Francisco, Calif.

The net proceeds from the sale of these shares are to be added to working capital. Initially, they will be applied to the reduction of short term bank loans, the proceeds of which had been used principally to finance packing and carrying in inventory of products of the company and its subsidiaries during the peak canning season.

Hawaiian Pineapple Co. Ltd. was incorporated under the laws of the Territory of Hawaii on Dec. 30, 1932. Its principal executive offices are at 650 Iwilei Road, Honolulu, Territory of Hawaii. The company has two pineapple plantations: The Wahiawa Plantation is situated on the Island of Oahu and the Lanai Plantation on the Island of Lanai. The company owns a cannery and a can manufacturing plant located in the Iwilei District of Honolulu and another cannery located in San Jose, Calif. The company also owns all of the outstanding stock of Plantation Housing, Ltd., a Hawaiian corporation; F. M. Ball & Co., a Nevada corporation with principal place of business and two canneries located at Oakland, Calif.; and Paulus Bros. Packing Co., an Oregon corporation with principal place of business and cannery located at Salem, Ore.

The company's principal business is an integrated business of planting, growing, harvesting, buying, canning, freezing and otherwise processing, transporting, and marketing pineapple and pineapple juice. For the fiscal year ended May 31, 1956, the gross sales of pineapple and pineapple juice were approximately $46,000,000. The company grows substantially all of its requirements of pineapple.

The company has paid cash dividends on its common stock in each fiscal year since 1936. In each of the last three fiscal years and during the current fiscal year to date, the company has paid quarterly dividends of 20 cents per share on its common stock on or about the 25th days of August, November, February and May of each year to holders of record about the middle of each such month. It is the present intention of the company to pay quarterly dividends on the 2,069,600 shares of common stock to be outstanding. It is expected that all shares now offered will participate in any dividend which the company may pay in February 1957.

With R. S. Dickson

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C.—Raymond B. Streb has joined the staff of R. S. Dickson & Co., Inc., Hood System Bank Building.

Samuel Franklin Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Andrew J. Corcoran is now connected with Samuel B. Franklin & Co., 215 West Seventh Street. Mr. Corcoran was previously with McCormick and Company.

72nd Consecutive Quarterly Payment Axe-Houghton "B"

Directors of Axe - Houghton Fund B have voted a first quarter payment to shareholders of 10 cents a share, including 7 cents from income and 3 cents from net profits. It is the fund's 72nd consecutive quarterly distribution and is payable Jan. 28 to shareholders of record Jan. 7.

Mutual Funds

By ROBERT R. RICH

Total Shareholder Accounts Reach 2,700,000 in 1956; Accumulation Plans in Force Total 464,000

A record number of investors turned to investment company shares in 1956 to bring the total number of shareholder accounts to approximately 2,700,000, according to a statement by Edward B. Burr, executive director of the National Association of Investment Companies.

Some 400,000 net new shareholder accounts were added to the books of both closed-and open-end investment companies during the year.

Much of the gain in accounts, according to Mr. Burr, is due to the steady growth in the number of accumulation plans offered by open-end investment companies (mutual funds). These investments plans enable an investor to make regular monthly or quarterly purchases of mutual funds shares from current income, thereby building an investment with small amounts of money. During 1956 the number of new accumulation plans opened by investors is expected to total 173,000. In 1955, investors opened 114,900 new plans. The total number of accumulation plans now in force is estimated at 464,000.

Investors in closed-end company shares can avail themselves of a similar opportunity through use of the New York Stock Exchange's Monthly Investment Plan.

At the year-end, total assets of the 135 open-end and the 25 closed-end company members of the Association are estimated at $10,201,000,000. This is a gain of nearly $1,164,000,000 over the previous year-end total of $9,036,609,000.

The open-end companies closed the year with net assets estimated at $8,950,000,000, a gain of $1,112,000,000 for the year. Assets of the closed-end investment companies rose nearly $52,000,000 to approximately $1,251,000,000.

Investor purchases of new mutual fund shares were at an all-time high in 1956, totaling approximately $1,348,000,000, as against the previous high of $1,207,000,000 in 1955.

Repurchases of fund shares (redemptions) were lower, estimated at $429,000,000, compared with $442,000,000 in 1955. The ratio of redemptions to total assets in 1956 is estimated to be 4.8%, the lowest ever recorded by the Association. In 1955, the ratio was 5.7%, and it was 5.0% in 1952, the previous lowest year.

Vogel Wholesale Mgr. For Mutual Funds

Appointment of Joseph C. Vogel as southwestern wholesale manager for three associated mutual funds — Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc. —has been announced today by the general distributor for the funds.

Joseph C. Vogel

Woodford A. Matlock, President of Broad Street Sales Corporation, said Mr. Vogel's territory will be Texas, Oklahoma, Arkansas and Louisiana, and he will be located at 25 East 25th Street, Tulsa, Oklahoma.

Broad Street Investing is a 27-year-old diversified mutual fund; National Investors, the growth stock fund, and Whitehall Fund, a balanced mutual fund, will complete 20 and 10 years, respectively, in March.

Mr. Vogel, a native of New Ulm, Minnesota, has been in the insurance business for 18 years and owns the Joseph C. Vogel general insurance agency in New Ulm. A former Vice-President and Secretary of the Minnesota Junior Chamber of Commerce, he is a director of the State Bond and Mortgage Co. and American Artstone Co., both of New Ulm. He attended the University of Minnesota.

Energy Fund Show 115% Assets Gain Since Jan. 1956

Christmas gift giving of Energy Fund shares plus the continuing dynamic expansion in energy demand and consumption have boosted assets of Energy Fund Incorporated to $3,042,296, up 115.6% from $1,410,513 at Jan. 1, 1956. In the same period net asset value per share increased 18.7%, including capital gain distribution in 1956 of $4.72 per share. Energy Fund shares outstanding increased 87% in the period to 19,301.

Energy Fund Incorporated, an open-end investment company of the "no-load" type, specializing in investments in energy industries and managed and distributed by Ralph E. Samuel & Co., New York, was first made available to the public on Oct. 19, 1955 at $119.98 per share. Asset value per share has increased 35.3%, including 1956 capital gain distribution, since the initial offering. During the same period the Dow Jones Industrial averages increased 7.7%, from 453.09 to 490.44.

Nichols New Putnam Management Partner

BOSTON, Mass. — Horace S. Nichols has been admitted as a partner of The Putnam Manage-

Horace S. Nichols

ment Company, 60 Congress St., manager of the George Putnam Fund of Boston.

He has been associated with The Putnam Management Company since 1949.

Bullock Expects New Sales Peak For Funds in 1957

It is probable that a still greater sales volume for mutual funds will be established in 1957 than the all-time record of more than $1,250,000,000 seen in 1956, according to a statement by Hugh Bullock, President of Calvin Bullock, Ltd., managers of mutual funds with assets exceeding $400,000,000.

"Investment company directors and officers had no easy time of it in 1956," Mr. Bullock said. "The upward surge in common stock prices came to several abrupt halts followed by rallies and corrections. For the year as a whole, a net change of modest proportions was recorded, although the price range between highs and lows, and especially between different industrial groups, was considerable.

"Each of these changes in direction required a new evaluation of the future: Did these moves reflect or presage a long-term, or merely a temporary influence on securities prices? Did they suggest any basic revisions in investment policies or portfolios? Managers of mutual funds, no less than individuals investors, had to try to find logical answers — and act accordingly.

"Despite these uncertainties, or perhaps because of them, sales of new shares by mutual funds substantially exceeded $1,250,000,000 in 1956, greater than in any previous year in the industry's history.

"Except for the Presidential election, the same factors of uncertainty will exert a substantial influence on equity prices in 1957 —high money rates, wage increases, inventory accumulations, high production and employment and—a factor of increasing significance—a delicate international situation.

"This is an environment which places a high value on competent and continuous investment supervision and emphasizes the reduced risks involved in adequate diversification.

"It is one reason why, in 1957, mutual funds should continue to find a wider usefulness to and demand from investors, especially those funds whose managements have long-established foreign connections. It is probable that 1957 will, therefore, establish a still greater sales volume for mutual funds than in 1956—a new record high in sales is a logical expectation."

109th Consecutive Quarterly Div. For Loomis-Sayles

Directors of the Loomis-Sayles Mutual Fund on Dec. 28 declared a cash dividend of 30 cents per share, payable Jan. 15, 1957, to stock of record Jan. 2. This represents the fund's 109th consecutive quarterly dividend since November 1929, when it was organized.

On the declaration date, the fund had 1,271,358 shares outstanding among 8,800 shareholders, while net assets totaled $53,465,941. A year ago at this time, net assets were $49,549,615, with 1,129,551 shares outstanding among 7,600 shareholders.

Stires Cites Lower Level of Prices of Canadian Stocks

Net assets of Scudder Fund of Canada Ltd., investment company, amounted on Nov. 30, 1956 to $49,740.387 in Canadian dollars, equal in United States dollars at the exchange rate of 104.03% to $42.76 a share on 1,210,000 outstanding shares of common stock, according to the fund's semi-annual report for the six months ended Nov. 30. Such net assets compared with $54,458,419, or $44.02 a share on 1,250,000 shares, on May 31, 1956, the end of the previous fiscal year.

Commenting on the recession in Canadian stock prices from their highs in early September, Hardwick Stires, President of the fund, states in the semi-annual report that in the fall of 1956 all sectors of the Canadian economy except agriculture and related industries reached new peaks and that increases in commodity prices have become more general and some labor shortages have developed from the continued operation of the economy at virtual capacity. "In an effort to combat growing inflationary pressures, government policies have been directed toward the progressive restriction of credit," he continues. "Resulting increases in interest rates and the Suez crisis were the chief sources of pressure on stock prices.

"Despite continued growth of Canada's trade deficit, the exchange premium of the Canadian dollar over the U. S. dollar nevertheless moved above 4% to the highest level in 23 years. The main reason for this further advance has been the continued heavy flow of investment funds from the United States, although a recent contributing factor appears to have been some capital flight from Europe occa3sioned by the Suez disturbance.

"The effect on the fund of this rise in the exchange rate was that,

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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)	Jan. 6	§98.0	*94.3	101.3	97.6
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 6	§2,509,000	*2,322,000	2,493,000	2,463,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 21	7,376,100	7,355,150	7,195,350	6,991,600
Crude runs to stills—daily average (bbls.)	Dec. 21	¶8,061,000	8,000,000	8,111,000	7,838,000
Gasoline output (bbls.)	Dec. 21	28,018,000	27,066,000	26,816,000	27,063,000
Kerosene output (bbls.)	Dec. 21	2,594,000	2,418,000	2,855,000	2,790,000
Distillate fuel oil output (bbls.)	Dec. 21	13,945,000	13,602,000	12,761,000	12,345,000
Residual fuel oil output (bbls.)	Dec. 21	8,856,000	8,360,000	8,458,000	9,005,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 21	130,543,000	177,037,000	174,544,000	161,741,000
Kerosene (bbls.) at	Dec. 21	32,029,000	32,418,000	36,305,000	28,778,000
Distillate fuel oil (bbls.) at	Dec. 21	134,980,000	139,610,000	158,871,000	117,954,000
Residual fuel oil (bbls.) at	Dec. 21	42,577,000	43,145,000	45,745,000	39,500,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 22	698,389	716,652	650,920	667,479
Revenue freight received from connections (no. of cars)	Dec. 22	645,437	663,706	622,326	636,745
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 27	$282,274,000	$456,571,000	$377,118,000	$276,764,000
Private construction	Dec. 27	148,848,000	310,067,000	189,585,000	173,000,000
Public construction	Dec. 27	133,426,000	146,504,000	187,533,000	103,764,000
State and municipal	Dec. 27	113,253,000	115,083,000	171,104,000	98,619,000
Federal	Dec. 27	20,173,000	31,422,000	16,429,000	5,145,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 22	11,020,000	*10,690,000	9,149,000	10,439,000
Pennsylvania anthracite (tons)	Dec. 22	570,00	628,000	447,000	555,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 22	264	260	149	231
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 29	11,196,000	*12,227,000	12,075,000	10,751,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 27	174	214	254	174
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 25	5.622c	5.622c	5.622c	5.174c
Pig iron (per gross ton)	Dec. 25	$63.04	$63.04	$63.04	$59.09
Scrap steel (per gross ton)	Dec. 25	$63.50	$64.50	$64.33	$53.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 26	35.675c	35.700c	42.900c	43.050c
Export refinery at	Dec. 26	33.800c	33.625c	43.600c	44.600c
Lead (New York) at	Dec. 26	16.000c	16.000c	15.500c	15.500c
Lead (St. Louis) at	Dec. 26	15.800c	15.800c	15.300c	15.300c
‡Zinc (delivered) at	Dec. 26	14.000c	14.000c	13.500c	13.500c
Zinc (East St. Louis) at	Dec. 26	13.500c	13.500c	13.000c	13.000c
Aluminum (primary pig, 99%) at	Dec. 26	25.000c	25.000c	Not Avail.	Not Avail.
Straits tin (New York) at	Dec. 26	101.250c	102.750c	98.750c	109.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 1	87.75	88.11	89.80	94.98
Average corporate	Jan. 1	95.32	95.92	96.69	106.92
Aaa	Jan. 1	98.88	99.52	100.16	110.34
Aa	Jan. 1	97.78	98.09	98.73	108.88
A	Jan. 1	95.77	96.23	96.69	106.92
Baa	Jan. 1	89.37	90.34	91.34	101.97
Railroad Group	Jan. 1	94.12	94.56	95.01	105.34
Public Utilities Group	Jan. 1	96.69	97.00	97.47	107.44
Industrials Group	Jan. 1	95.47	96.38	97.62	108.16
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 1	3.52	3.48	3.33	2.88
Average corporate	Jan. 1	4.05	4.01	3.96	3.34
Aaa	Jan. 1	3.82	3.78	3.74	3.15
Aa	Jan. 1	3.89	3.87	3.83	3.23
A	Jan. 1	4.02	3.99	3.96	3.34
Baa	Jan. 1	4.46	4.39	4.32	3.63
Railroad Group	Jan. 1	4.13	4.10	4.07	3.43
Public Utilities Group	Jan. 1	3.96	3.94	3.91	3.31
Industrials Group	Jan. 1	4.04	3.98	3.90	3.27
MOODY'S COMMODITY INDEX	Jan. 1	441.6	441.0	433.3	406.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 22	207,805	249,212	202,463	219,204
Production (tons)	Dec. 22	280,141	281,309	260,253	286,600
Percentage of activity	Dec. 22	96	95	89	101
Unfilled orders (tons) at end of period	Dec. 22	340,551	416,158	373,310	495,467
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Dec. 28	110.16	110.13	109.62	107.15
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. 8	1,438,457	1,303,670	1,490,392	1,157,947
Dollar value	Dec. 8	$79,932,473	$68,215,531	$77,141,062	$62,678,227
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 8	1,050,087	974,831	912,896	1,081,587
Customers' short sales	Dec. 8	6,721	13,149	7,683	5,402
Customers' other sales	Dec. 8	1,051,366	961,682	905,213	1,076,185
Dollar value	Dec. 8	$51,788,355	$46,675,229	$44,633,922	$53,036,758
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 8	227,880	236,820	173,390	315,970
Short sales	Dec. 8	-------	-------	-------	-------
Other sales	Dec. 8	227,880	236,820	173,390	315,970
Round-lot purchases by dealers—					
Number of shares	Dec. 8	649,190	557,640	756,430	413,410
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. 8	597,720	666,510	603,170	506,660
Other sales	Dec. 8	12,618,720	11,230,140	8,916,480	13,262,940
Total sales	Dec. 8	13,216,440	11,896,650	9,519,650	13,769,600
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 8	1,720,690	1,640,480	1,334,200	1,699,450
Short sales	Dec. 8	356,480	320,020	395,130	233,750
Other sales	Dec. 8	1,374,030	1,236,870	1,131,390	1,336,070
Total sales	Dec. 8	1,730,510	1,556,890	1,526,520	1,569,820
Other transactions initiated on the floor—					
Total purchases	Dec. 8	424,230	323,200	256,260	405,380
Short sales	Dec. 8	46,300	58,600	49,400	23,500
Other sales	Dec. 8	329,150	278,980	260,500	380,310
Total sales	Dec. 8	375,450	337,580	309,900	403,810
Other transactions initiated off the floor—					
Total purchases	Dec. 8	568,415	516,236	396,485	894,120
Short sales	Dec. 8	100,540	99,320	84,620	127,450
Other sales	Dec. 8	611,949	613,648	544,221	816,227
Total sales	Dec. 8	712,489	712,968	628,841	943,677
Total round-lot transactions for account of members—					
Total purchases	Dec. 8	2,713,335	2,479,916	1,986,945	2,998,950
Short sales	Dec. 8	503,320	477,940	529,150	384,700
Other sales	Dec. 8	2,315,129	2,129,498	1,936,111	2,532,607
Total sales	Dec. 8	2,818,449	2,607,438	2,465,261	2,917,307
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Dec. 25	116.1	116.2	115.7	111.4
Farm products	Dec. 25	87.7	88.5	87.6	85 2
Processed foods	Dec. 25	102.8	*103.0	103.1	97.7
Meats	Dec. 25	78.4	79.3	79.2	69.7
All commodities other than farm and foods	Dec. 25	124.7	124.6	124.0	119.6

*Revised figure. ¶Includes 912,000 barrels of foreign crude runs. §Based on new annual capacity of 133,459,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,000 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of November	10,566,000	*11,048,513	10,247,398
Shipments of steel products (net tons)—Month of October	7,930,957	7,058,028	7,216,821
AMERICAN PETROLEUM INSTITUTE—Month of September:			
Total domestic production (barrels of 42 gallons each)	235,381,000	247,189,000	223,754,000
Domestic crude oil output (barrels)	211,616,000	223,046,000	201,919,000
Natural gasoline output (barrels)	23,737,000	24,120,000	21,801,000
Benzol output (barrels)	28,000	23,000	34,000
Crude oil imports (barrels)	31,281,000	31,029,000	24,882,000
Refined products imports (barrels)	12,276,000	12,339,000	11,655,000
Indicated consumption domestic and export (barrels)	259,213,000	268,875,000	251,555,000
Increase all stocks (barrels)	19,725,000	21,682,000	8,636,000
AMERICAN RAILWAY CAR INSTITUTE—Month of November:			
Orders for new freight cars	4,172	6,532	51,066
New freight cars delivered	6,695	5,666	3,427
AMERICAN TRUCKING ASSOCIATIONS, INC. Month of October:			
Intercity general freight transported by 366 carriers (in tons)	5,825,111	5,033,978	5,398,505
AMERICAN ZINC INSTITUTE, INC.—Month of November:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	91,808	93,493	87,616
Shipments (tons of 2,000 pounds)	110,433	106,848	93,426
Stocks at end of period (tons)	70,185	88,910	38,058
Unfilled orders at end of period (tons)	45,866	53,425	64,560
COAL EXPORTS (BUREAU OF MINES)—Month of October:			
U. S. exports of Pennsylvania anthracite (net tons)	658,584	680,068	418,156
To North and Central America (net tons)	281,369	287,484	314,344
To Europe (net tons)	373,193	355,027	92,621
To Asia (net tons)	3,485	34,881	11,191
To South America (net tons)	537	2,676	------
COAL OUTPUT (BUREAU OF MINES)—Month of November:			
Bituminous coal and lignite (net tons)	44,560 000	47,880,000	43,627,000
Pennsylvania anthracite (net tons)	2,600,000	*2,938,000	2,400,000
COKE (BUREAU OF MINES)—Month of Oct.:			
Production (net tons)	6,740,182	*6,453,229	6,640,500
Oven coke (net tons)	6,554,091	*6,299,189	6,462,200
Beehive coke (net tons)	186,091	*154,040	178,300
Oven coke stock at end of month (net tons)	2,598,188	*2,810,832	1,781,504
COPPER INSTITUTE—For month of Nov.:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	98,840	107,730	102,172
Refined (tons of 2,000 pounds)	132,970	136,379	133,711
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	114,524	113,353	141,807
Refined copper stocks at end of period (tons of 2,000 pounds)	116,516	106,120	48,736
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average = 100—Month of November:			
Adjusted for seasonal variations	129	*122	122
Without seasonal adjustment	157	*127	148
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate consumers—Month of September (000's omitted)	44,786,393	44,503,331	42,166,904
Revenue from ultimate customers—month of September	$741,999,000	$735,869,000	$695,983,000
Number of ultimate customers at Sept. 30	53,690,914	53,537,641	52,259,398
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of November (1947-49 = 100)	81.5	82.4	85.5
PORTLAND CEMENT (BUREAU OF MINES)—Month of September:			
Production (barrels)	28,643,000	30,055,000	26,958,000
Shipments from mills (barrels)	29,935,000	33,324,000	29,543,000
Stocks (at end of month—barrels)	15,538,000	*17,068,000	9,779,000
Capacity used (per cent)	109	111	109
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of October:			
Total operating revenues	$963,199,291	$874,850,374	$907,746,836
Total operating expenses	699,353,236	657,880,452	670,789,156
Operating ratio	72.61	75.20	73.90
Taxes	$122,545,209	$100,410,934	$103,034,547
Net railway operating income before charges	121,713,784	97,428,271	110,881,511
Net income after charges (estimated)	103,000,000	79,000,000	90,000,000
RUBBER MANUFACTURERS ASSOCIATION, INC.—Month of October:			
Passenger Tires (Number of)—			
Shipments	6,470,814	5,758,068	6,801,749
Production	7,525,761	6,647,096	8,159,959
Inventory	15,606,584	14,468,133	13,806,479
Truck & Bus Tires (Number of)—			
Shipments	1,304,948	1,194,076	1,315,056
Production	1,273,120	1,152,968	1,295,213
Inventory	3,167,971	3,179,927	2,356,862
Tractor-Implement Tires (Number of)—			
Shipments	203,240	212,345	239,619
Production	216,510	197,425	271,941
Inventory	712,126	689,816	693,318
Passenger, Motorcycle, Truck & Bus Inner Tubes (Number of)—			
Shipments	2,877,157	2,777,050	3,004,140
Production	3,024,777	2,773,470	3,118,965
Inventory	6,468,786	6,056,035	6,285,703
Tread Rubber (Camelback)—			
Shipments (pounds)	43,770,000	36,549,000	36,183,000
Production (pounds)	43,468,000	36,288,000	35,849,000
Inventory (pounds)	28,603,000	27,422,000	22,732,000
ZINC OUTPUT (BUREAU OF MINES)—Month of September:			
Mine production of recoverable zinc in the United States (in short tons)	42,367	*42,367	41,787

Railroad Securities

By GERALD D. McKEEVER

New York Central

Events of the past two months or so have served to clothe New York Central stock in more sober attire as far as the near term outlook is concerned. Unfavorable factors have been reflected in a decline of about 13% in the price of this stock since mid-October, and have included particularly the Nov. 1 wage increases that bear so heavily on the Central because of its high wage ratio and secondly, the slump in November revenues which caused further aggravation of the decline in November earnings and finally, the resultant sharp downward adjustment in the official estimate of 1956 earnings.

This figure was placed at about $5.50 per share in the Dec. 18 statement of the road's President to the press, whereas competent estimates had been about $1 per share higher until the poor November showing was disclosed. Reflecting a $2,771,000 decline in revenues for the month, earnings for November of this year amounted to only 16 cents per share as compared with 64 cents for November 1955. This held the 11-month result to $4.95 per share as against $7.34 for the first 11 months of last year.

Not having basic significance, but nevertheless upsetting to the price of the stock, was evident dissatisfaction with the action of the road's board on the final dividend for 1956. In lieu of the regular 50-cent per share quarterly cash payment for the final quarter, directors ordered the distribution of the road's entire holding of 295,428 shares of U. S. Freight at the rate of one share of the latter for each 21 shares of New York Central, or about 0.0476 share of U. S. Freight for each Central share. As far as the value of this dividend is concerned, this was not a bad deal at all. At the current market of about 25 for U. S. Freight the value of this quarterly dividend is approximately $1.19 per share.

The adverse reaction to this which seemed to become evident must have been due to something else. The irregular dividend action may have been interpreted as having been dictated by necessity, although a moment's reflection should have given reassurance that the regular 50-cent cash payment would have been earned over twice in the final quarter, while a little investigation would also show that current finances were sufficiently strong to facilitate the regular cash distribution. Although total cash items of some $80 million as of last Sept. 30 represented a decline of about $14 million in 12 months, this was due largely to an $8 million increase in inventories of materials and supplies—probably a foresighted move in the current phase of rising prices. Net current assets were actually down only about $1 million as of this date.

Thus the distribution of the U.S. Freight stock cannot be interpreted as having been due to any special exigencies. It was stated at the time that the decision to divest the road of this holding was for the constructive purpose of disposing of a situation that represented basically conflicting interests, and which, as a result, had hampered the progress of the subsidiary. In addition, this move would seem to harmonize with the policy of the New York Central management of jettisoning such non-rail holding as it can, and, for the large balance of such holdings that can not be disposed of for one reason or another, of making these holdings more profitable.

The latter applies particularly to the vastly valuable holdings of Park Avenue real estate and the Grand Central properties. The conversion of the latter into an important earning asset by the erection of a giant office building on the site may be a long way off, but a forward step toward the more profitable utilization of Park Avenue real estate is seen in the announcement of agreement with the New York, New Haven & Hartford to bridge the gap as to the dispute over the interest of the latter in these properties. The settlement of this three-year dispute will, among other things, permit the redevelopment of the 277 Park Avenue property. This and similar projects are planned to swell the road's non-operating income which would provide a direct offset to the mountainous New York City taxes on the Grand Central properties and on the approaching right of way.

This should afford a practical solution in time. The other possibility that some have entertained is less workable, to say the least. This is the anticipation that the realty properties would be liquidated with relatively immediate benefit to stockholders in one way or the other. One obstacle to this is seen in the previously mentioned interest of the New Haven in the properties. The other is that the property in question is, for the most part, at least, subject to the first lien of New York & Harlem 3½s of 2000 to the second lien of New York & Harlem 4s of 2043 and to the leasehold liens of New York Central 3½s of 1997 and of the two junior collateral 3½s of 1998 and the still more junior leasehold lien of the consolidated 4s of 1998. All of these issues, aggregating some $200 million, are non-callable and thus offer formidable complications blocking the way of a direct interest of the road's stock in the realty properties.

Thus it would seem that interesting possibilities in Central stock, now only about a point above the 1956 low and 1½ points above the low of the past two years, lie rather in the basic improvements which the road's management is making or has on the planning board. This refers not only to efforts to trim ship as to non-operating properties along the lines mentioned previously, but also to make radical improvement in the road's operating plant.

While some $400 million was poured into the road's property between 1950 and 1955 without visible effect on the road's earning power, this expenditure represents a strong working base from which to rebuild further. The benefits of dieselization of the greater part of system operations have been largely nullified by obsolete yards which necessitate "breaking" the long trains that the diesels can accommodate. The modernization of the Buffalo yard and the consolidation into one of the seven classification yards in that area is scheduled for completion in February and two more such projects are planned for completion late this year or early in 1958. One is for a new "electronic" yard at Elkhart, Ind., and the other is for the consolidation of five scattered yards at Youngstown, Ohio into one modern "push button" yard to serve both the New York Central and its subsidiary, the Pittsburgh & Lake Erie.

Also part of the "five-year plan" of the new management initiated late in 1955 is for the reduction of track mileage by the installation of CTC on six segments with consequent saving in both maintenance and taxes. The first step — the conversion to CTC of the line between Buffalo and Cleveland—has been accomplished recently. At the same time the road is militantly attacking one of its major problems, which is its passenger service deficit. This, by the ICC formula, amounted to $37 million in 1955, a small improvement over 1954 deficit of $38 million, but a substantial achievement in comparison with the $52 million average annual deficit from passenger service for the 1951-53 period. Pending now is the widely publicized move of the road to make a sharp reduction in passenger and commuter service on its West Shore division and its application to the ICC for the abandonment of its two ferry lines from the Weehawken terminal of the West Shore to New York City.

Such "built in" difficulties together with a something less than strong trend of traffic and revenues crystallize in high cost ratios. Under these conditions the current wage increases are particularly burdensome to the New York Central in themselves alone. They are the more so since the recently granted 7½ cent freight rate increase applies to only about 75% of Central's total revenues. In this connection it was recently stated by the road's President that the freight rate increase will just about cover the additional wage cost. However, further help could come from the 5% increase in passenger fares that has been applied for.

The New York Central, now favored with a management that recognizes its difficulties, has already made strong strides to meet them, and also has a long-range plan for further achievement. The road's stock, down 30% from the 1956 high of 49½, now affords an interesting stake in the future and the indicated yield of about 6% at the present price, while not actually liberal for a rail stock of this quality, is nevertheless reasonably attractive in view of other considerations.

Joins United Secs.

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Mandel S. Kadis is now connected with United Securities Company, Southeastern Building.

Continued from page 37

Stires Cites Lower Level of Prices of Canadian Stocks

though cash balances held in New York suffered slightly, the total value of the fund expressed in U. S. dollars was approximately $1½ million higher on Nov. 30 than it would have been at the May 31 rate of exchange."

The fund's holdings of common stocks on Nov. 30 were valued at $47,117,867, or 94.8% of net assets; Government of Canada securities, $999,300 or 2%; corporate bonds and notes, $912,719 or 1.8%; and cash in banks and dividends and interest receivable, $899,041, or 1.8%.

During the first six months ended Nov. 30, 1956, new additions to the portfolio were $125,000 Abitibi Power & Paper Co. Ltd. convertible "A" 4½% bonds due 1966; $500,000 Loblaw Groceterias Ltd. convertible "D" 4¾% bonds due 1976; $300,000 Triad Oil Co. Ltd. convertible 4¾% notes due 1971; 4,000 Montecatini Ltd. American Depositary Receipts; and 10,000 shares of A. V. Roe Canada Ltd. common stock.

During the six months period the fund eliminated from the portfolio, Algoma Central & Hudson Bay Railway 5% bonds due 1959; Canadian Pacific Railway convertible 4% bonds due 1969; Canadian Petrofina Ltd. convertible "A" 4% bonds due 1972; common stocks of Argus Corp. Ltd.; Bowater Paper Corp., Ltd.; British American Assurance Co.; Canadian Breweries Ltd.; De Beers Consolidated Mines Ltd.; O'okiep Copper Co. Ltd.; St. Lawrence Corp. Ltd.; Triad Oil Co. Ltd., and Union Miniere du Haut-Katanga; and 6% participating preferred shares of Sogemines Ltd.

Shareholders of National Series At New High Peak

Total assets of the National Securities Series of mutual investment funds reached $296,374,509 on Dec. 31 last as the number of shareowners set a new record at 116,000 at the year-end H. J. Simonson, Jr., President of National Securities & Research Corporation reported.

At the close of 1955 total assets amounted to $265,432,004 while shareowners numbered 100,013.

Mr. Simonson also reported that purchases of the National Securities Series in 1956 set a record high of $61,472,994 — a monthly average in excess of $5,000,000. He attributed the high volume to "the expanding interest of the investmen public in mutual investment fund shares with income and growth objectives."

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Frenzied Federal finance is running into some real troubles. Most of these stem directly from the shortage of loanable money. This in turn is the direct consequence of that booming economy which for so many years was the consuming objective of Democratic Administrations and of the present allegedly Republican Administration.

There is the matter of that fiscal legardemain, for example, of buying billions worth of housing to quarter military personnel and their families.

What the Secretary of Defense (through subordinates, of course) does is to arrange for procurement of such housing in the same way it always has been done except for the raising of money. Instead of having Congress appropriate the money and the payment therefor showing up in the budget, a new gimmick has been adopted.

When Defense has designed the housing and selected the site, it arranges for a dummy Delaware corporation to become the theoretical entrepreneur which borrows money and builds the housing, on a 40-year loan.

Defense withholds the regular quarters allowances paid to military personnel, takes that money, and pays the annual instalments of principal and interest on the loan to buy the housing. The loan comes usually from an insurance company or a pension fund. The loan to the dummy corporation is insured by FHA. The dummy corporation is necessary because FHA cannot legally insure a loan to the Secretary of Defense.

Thus this unique gimmick results in a guarantee of the loan both by the Secretary of Defense and a second government agency, the FHA, all for the purpose of saving Congress the necessity for appropriating one dime therefore or the Eisenhower Administration the embarrassment of admitting it in the budget as an expenditure.

Can't Get Money

All this was expected to work smoothly and solve this problem from now into eternity. Congress, however, put a 4% limit on the interest. All people who save money are, of course, bloated Wall Street aristocrats with pockets bursting with money, and that is the most Congress thought such undeserving persons should collect as interest.

With the shortage of money, defense just couldn't find any suckers to put up 40-year money at 4% even under the double guarantee. Banks and insurance companies were refusing on a wholesale scale to put up construction money for fear they would be stuck with the permanent financing.

Under the circumstances, the Defense Department yelped for help to the Federal National Mortgage Assn., the government corporation which is allowed to buy the mortgage with Treasury funds which the Treasury is twice the guarantor of through the Secretary of Defense and FHA.

So FNMA raised the price it will pay for military housing loans to par and adjusted other fees so it only costs one percentage point to get the financing through the Treasury. The Treasury becomes the true source of the money as well as the source of the double guaranty, and the whole aspiration of using this sleight-of-hand finance to escape showing a budget expenditure has, so long as the situation remains as it is, just gone down the drain.

Meanwhile, however, the sleight-of-hand devices still go on even though the fiscal objective has failed. It provides considerable government employment in substantial pay brackets to push these papers around from Defense to FHA to FNMA.

Farmers Home Loans Wane

In 1955 Congress gave that man so widely known in the daily newspaper headlines as a private enterpriser, Ezra Taft Benson, the Secretary of Agriculture, a whole fistful of "insured" lending powers for mortgages and other loans.

These loans work this way: Agriculture's Farmers Home Administration selects the clients for loans, takes their collateral, and acts as a lender in every respect except for doling out the money. This little chore is left to private savings, through some local bank. Farmers Home even collects the loan. When the government's ward is ready to receive the money the government, through Mr. Benson's aides, guarantees the farmer's note and calls up a bank and asks it to dole out the cash.

The government even solicitously contracts at losing time to take the bank out of the 40-year mortgage loan or the up-to-20-year water facility-soil conservation-afforestation-pasture improvement loan any time after five years the bank wants to get the cash. This, incidentally, leaves a potentially nice little financing problem on the laps of a future Administration, but five years is a long time and no Federal Administration at any time is so neurotic as to worry about what will happen five or 10 years hence.

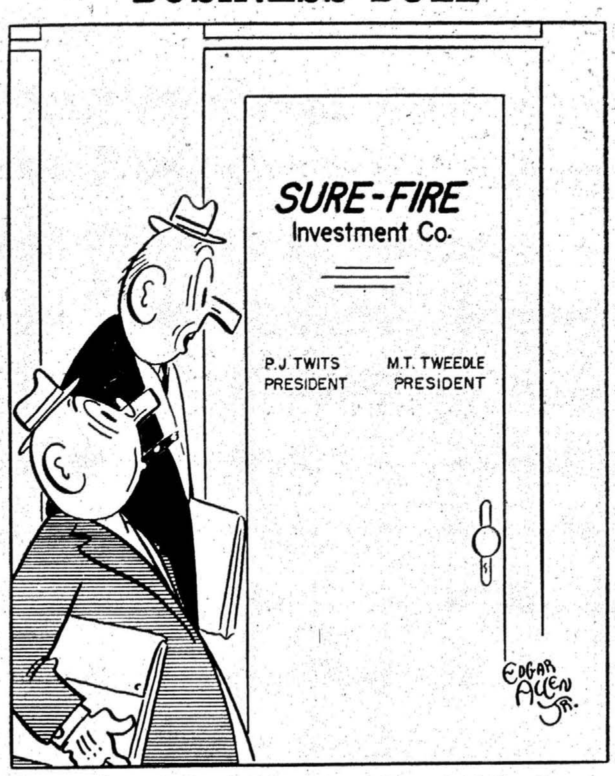
Loans Down

In the ordinary course of government events, a new sleight-of-hand financing gimmick like that starts slowly and through the years builds up an irresistible momentum.

However, it didn't happen in 1956. Against $37,587,000 of 40-year mortgage loans made the first year under this gimmick, only $35,400,000 was made in 1956. On the up-to-20-year insured loans for water facilities, afforestation, establishing permanent pasture, or undertaking oil conservation works, farmers got $20,003,000 in 1955 and only $8,710, in 1956.

As it was conceived, it was figured out that eventually the government would do a land-office business in farm loans. For banks could get a 3½% return on a government-guaranteed piece of paper and need hold this paper no longer than five years if they chose. But for the rising pattern of interest rates, the country banks might have found themselves as thoroughly entrapped in the government way of doing business as is the case at present with the speculative builders operating in lower-priced housing.

BUSINESS BUZZ



"I understand they're having a bit of difficulty reorganizing after a recent merger!"

Instead Department of Agriculture officials now find themselves forced to appeal to banks to dispense this money as a local community service, instead of offering what they thought would be a gilt-edged security upon which the banks could collect handsomely without doing any work.

Lease-Purchase Stalls

The third main manifestation of the frenzied Federal finance of the Eisenhower Administration was the lease-purchase program for financing post offices and other Federal buildings.

Here, again, the government designs the building, selects the site, and otherwise procures the Federal building as it did throughout all history, except for the method of payment.

Through a cumbersome process a private agency or person was asked to bid on constructing and financing a Federal office building. The private medium allegedly has title to and owns, the building, which it "leases" to the government's exclusive use for a 25-year period on payments precisely arranged to pay off the building with an agreed rate of interest, not over 4% (including local real estate taxes) over a 25-year period. At the end of 25 years the lessor contracts to deliver title to the U. S. Government.

When the General Services Administration announced last April it was asking for bids on a combination post office and Federal building in Illinois, officials were brimming with declared optimism that this new scheme was all dressed up and ready to go places.

This naturally was a most pleasing prospect to the spenders, for they could provide handsome buildings by appropriating in any one year, a paltry 4% of the cost of building them. Future Congresses, as with military housing and insured farm loans, would be left the job of paying for the lush benefits of the present, and only that 4% would show in the first year's budget.

Approve $700 Million

All told the approval process has ground out nearly 100 approved structures to cost an estimated $700,000,000 and that is all. Only one (1) project has actually gone into construction, the first and original post office and Federal building in Illinois.

General Services has been squirming around trying to figure out what is wrong, looking like a woodtick on a hot cast iron stove, or a government official will in some future decade who is trying to work out of the extravagances of the present.

GSA does not acknowledge that its present administratively-determined top interest rate of 4% is the sole cause, but admits it may be an important factor.

Trying to work around technical obstacles, GSA persuaded the Treasury to approve a trustee arrangement instead of the original "ownership" figment for financing Federal buildings on the instalment plan. This is designed to remove some of the inhibitions of law against national bank investments in real estate, as to these sleight-of-hand financing arrangements.

It may be that GSA will come to the awful decision to boost the interest rate. It feels it has a moral obligation to pay no more than 4%, because that is what it told Congress it would pay, even though such a limit was not established in the Lease-Purchase act.

Or GSA may ascertain that sleight-of-hand financing, even when sanctionted by the solemnity of law, does not go across.

[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.]

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.

With R. D. Standish

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BOULDER, Colo. — Oscar Koepke is now with R. D. Standish Investments, 1227 Walnut Street.