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EDITORIAL

As We See It

It has become a political commonplace to say that the current conflict with communism is a battle for men's minds. The prize for which the Kremlin is striving involves much more than men's minds, of course, but in many instances the battlefield is in fact the thinking and the opinions of at least some of mankind. Never has this simple fact been better illustrated than in the Middle East at this time. In a broader and more general sense what we have been witnessing for the past quarter of a century or more is an intellectual and sentimental ferment as much in evidence at home as in the international field. In it the more realistic doctrines characterizing the traditions and experience of the *laissez-faire* years have been fighting for their lives against an infiltration of socialistic, semi-socialistic and collectivist preachments which are of the same genus as communism.

This general trend of thought has made great headway throughout the world, not the least in the United States of America where New Deal and Fair Deal programs, which would have been rejected out of hand in earlier decades, are almost everywhere accepted, and, indeed, in popular thought rapidly acquiring a sacrosanct status. Thus, we, and other countries too for that matter, have been having a sort of battle going on within national borders for men's minds—and its importance has often transcended anything that has been taking place in the international sphere.

But the Middle East—and the Far East too for that matter—seem to be special cases. To be sure there has almost always existed in the minds of advanced peoples some regard for the thoughts

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Agriculture and Big Government

By EARL L. BUTZ*
Assistant Secretary of Agriculture

Federal agricultural official sees no effective return from that Socialist path of common distribution of income we already are on; asserts government will be big business; and contends the important question confronting us is the proper relationship between our government and ourselves. Citing agriculture as the prime example of government domination, Mr. Butz explains how this developed and states there are three basic choices with respect to the relationship between the government and the farmer. Contrast is made between socialized agriculture, which provides equality at the finish line, regardless of individual effort or ability, and traditional American way of equality at the starting line and equality of opportunity along the course.

Government is big business. It is the biggest single enterprise in America. It will always remain big, despite political promises to reduce it. The tendency will be for it to become still larger, as our country grows and the demand increases for various types of governmental service.

Earl L. Butz

For 1956, Federal Government expenditures will be approximately $68 billion. Expenditures by states, municipalities, and local governmental units will add another $30 to $32 billion. This means that total governmental costs in the United States last year will approximate $100 billion. Our people get back many useful things for this expenditure. They get education, highways, police protection, public welfare, general government, and of course national security which takes a major chunk of it.

The size of government is most meaningful in com-

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*An address by Mr. Butz before the National Agricultural Credit Conference, St. Louis.

Gold—Strategic Metal of All Time

By REID TAYLOR
Mitchell, Hutchins & Co., Chicago

After stressing the consequences of irredeemable paper money and the strategic importance of gold, Mr. Taylor proposes U. S. open a free gold market to determine the "proper and natural relationship between gold and the dollar" and set a date after which the government would fix and maintain a fixed value for gold to everybody. Author claims: (1) we have a synthetic economy built upon a bubble of a fantastic debt and profligate spending; (2) there seems to be little concern in high places that our resources are being squandered; (3) it is proper we respect the rights of minorities to protect themselves against majority's unwise demands; and (4) that there is a conspiracy allowing foreigners to benefit from our bargain priced gold. Suggests proposal to prevent serious run on gold in the event of war.

What kind of country are we handing down to our children? Our forefathers gave to us a country bountiful in riches, a government idealistically conceived where all men could be free and have an equal opportunity in life.

Reid Taylor

Theirs was the sacrifice, to escape the wretchedness and the tyranny of the old world. They hoped that war could be eliminated in this new hemisphere. Whether they were conscious of it or not, this, their great experiment, by example, would seem to have been the only hope for an old world torn by eternal wars, intrigues, and tyranny. Certainly the great minds of that day realized the utter folly of our ever trying to interfere with the destinies of nations all over the other hemisphere.

Now we find the poisons of the old world philosophies of government have crept into our govern-

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ANNUAL REVIEW AND OUTLOOK ISSUE NEXT WEEK — The "Chronicle's" Annual Review and Outlook Issue will appear next week and, as in former years, will include personal views of Leaders in Trade, Industry and Finance on the outlook for their respective industries and the nation's economy in general during 1957.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Washington Steel Corporation — W. Bruce McConnel, Jr., Partner, Singer, Deane & Scribner, Pittsburgh, Pa. (Page 2).

American Smelting & Refining Co. —Charles D. Murphy, of A. W. Benkert & Co., New York City. (Page 2.)

W. BRUCE McCONNEL, JR.
Partner, Singer, Deane & Scribner, Pittsburgh, Pa.

Washington Steel Corporation

Widely recognized both at home and abroad as a leader in the fast-growing stainless steel market, Washington Steel Corporation occupies a unique position. Small and compact, possessing the most modern equipment available, this non-integrated steel company boasts a percentage earning and growth record which might well be envied by the gigantic integrated concerns of this basic industry.

The alert and progressive management which founded the company 11 years ago based their approach to the lucrative stainless market on two unconventional concepts in the steel industry: (1) stainless steel could be rolled in continuous coil form with relatively inexpensive precision-built Sendzimir Mills, (2) stainless sheets could be merchandised like cigarettes or other consumer goods products. These concepts proved to be so successful that in the year ended Sept. 30, 1956, the net profit of the company, $1,744,288 exceeded the total capital raised through public underwriting to start the company by $596,733.

Washington Steel's President, T. S. Fitch, an advocater of modern steel production technology, was dissatisfied with old high cost production methods and saw a need for a higher quality product. It was his belief that the Sendzimir Mill method of rolling was capable of producing a better quality stainless steel.

Collecting a small group of individuals experienced in stainless steel operations who had faith in the Sendzimir Mill, among whom were F. G. Gerard and G. E. Diamond, Washington Steel's present production Vice-President and Vice-President and Treasurer, respectively, Mr. Fitch founded the first new steel company to start up after World War II. These men gambled their financial resources on the outcome of the new cluster roller type Sendzimir Mill in spite of the skepticism of the steel industry.

The belief of these men and the public who invested in the $1,147,500 of common stock of the company to start the enterprise was well rewarded. In the first full year of operations, the company earned $236,625 or approximately 66 cents per share, from $4,612,302 in gross sales. Total sales increased annually, and at the year ended Sept. 30, 1956, the company realized earnings of $1,744,288, or approximately $2.88 per share. During this period the company paid continuous cash dividends on the common stock, as well as a 5% stock dividend in 1954 and split the stock 2-for-1 in 1956. Adjusting for the stock dividend and split, an investor in the initial public offering has realized approximately a 550% capital appreciation based on current market values. Truly this is a remarkable record for a small steel company in a highly competitive field.

Washington Steel Corporation is a highly automated, specialized operation producing flat rolled stainless steel sheet in a selective type of market. Within the last year the company has actively entered the strip field which is the largest part of the stainless market. Historically the stainless industry has doubled in size every 10 years, and at present the expanding use of stainless steel is exceeding the normal growth pattern. Recent trends in architectural designs, to metal clad buildings, are opening new large tonnage applications, and prospects in this field of stainless use alone may soon exceed the total stainless output of a few years ago. Although the monumental stainless clad skyscrapers get the most publicity, a larger share of stainless for architectural use will be found in small structures like diners, gas stations, store fronts, etc. To enhance its ability to capture an ever increasing portion of this new and expanding market, the company increased its efficient capacity by approximately 115% through the installation of a new 52-inch Sendzimir Mill. This mill commenced operations in July of 1956.

Today Washington Steel Corporation stands at the threshold of new expanding markets with a solid reputation of being a leader in its field. Washington's management, after 10 years of pioneering not only processing methods, but new products as well, is at present again introducing new products and merchandising methods as novel and as basically sound as the first. The still young and aggressive leadership of this company makes it extremely well equipped to cope with today's high speed, fast changing industrial trends. These are but some of the reasons Washington Steel Corporation remains the security I like best. The stock is traded in the Over-the-Counter Market and is currently quoted at about 28½.

CHARLES D. MURPHY
A. W. Benkert & Co.
New York City

American Smelting & Refining Co.

American Smelting was conceived on a giant scale and is coming into its own in today's world of bigger and better companies. It is the world's largest custom smelter and the largest lead producer. In addition, through its own operations and through investments American Smelting participates in virtually every phase of the non-ferrous metals industries and stands to benefit from the forward surge in world wide demand.

Charles D. Murphy

In outline form the following divisions and activities can be separated out:

(1) Smelting and refining for its own account and that of others: zinc, lead, copper, sulfuric acid.

(2) Federated Metals Division: secondary metals, solder, fluxes, hydrazine, electro-plating, nickel salts, chemical additives, and certain fabricated products.

One of the largest sources of non-ferrous metals is the growing supply of automobile and generator parts, castings, storage batteries, cables, and other goods fallen into disuse. This division has made a science of sorting and refining this material so that it stands beside virgin metals as an essential part of the world's supply.

(3) By-products include new products and new profit possibilities added by research. Bismuth and antimony are recovered in lead refining; cadmium and indium in zinc smelting, arsenic, nickel sulphate, selenium and tellurium from copper plants, germanium from lead smelting.

Asarco developed the first high-purity selenium and still dominates the market for this strategic metal that goes into almost all electronic units. As a result of recent major increases for its selenium production, company is reducing its price for quantity lots of high purity selenium by $3 a pound (from the present $18 to $15) as of the first of the year. This grade is used in rectifiers for the electronics and communications industries. The price of ferro-selenium, used in stainless steel, is also being reduced by $3.50 a pound (from $16.25 to $12.75). Such price reductions are expected to stimulate demand and increase profits.

(4) Mining: copper, lead, zinc, silver and gold. Hundreds of millions have been spent in developing mining properties. Within the past 10 years $163 million has been spent for new mining properties, most of which have yet to produce. By another 10 years American Smelting will be a large producer of basic metals from new or newly developed reserves.

(5) Fluorspar: acquired rich Mexican reserves in 1953.

(6) Asbestos: a huge project in the development stage. Proved reserves under Black Lake exceed 45 million tons.

(7) Investments: company holds substantial interests in unconsolidated subsidiaries and affiliates from which it receives considerable dividend income.

The portfolio of marketable securities deserves more than passing mention. The 216,839 shares of Cerro de Pasco, 938,148 Revere Copper & Brass (36% control) 929,517 common and 28,740 preferred of General Cable (41% control), 130,618 Kennecott Copper and 379,211 United Park City Mines have an aggregate market value of approximately $100 million. Adding working capital of $144 million and deducting the market value of the preferred (there is no debt) gives quick asset value of some $32 per share.

In 1955 dividends and profits on investments amounted to about $9 million, equal to about $1.50 per share on the 5,443,300 shares outstanding out of total reported earnings of $5.66 per share.

In the first 9 months of 1956 sales and services were up 15% and net increased 31% to $5.09 a share vs. $3.77 for the 1955 period. Annual sales are now running close to $600 million and 1956 earnings are being estimated at about $7 per share. Dividends chalked up to $3.50 when the 75c paid quarterly was supplemented with a 50c year-end extra.

Aside from immediate earnings benefit, the working control of two such well established fabricators as Revere and General Cable

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Population and Economic Growth

By EARLE A. RAUBER*
Vice-President and Director of Research,
Federal Reserve Bank of Atlanta

A Malthusian race between goods and service productivity and population reproductivity is described by Atlanta Federal Reserve executive, in refuting the viewpoint that the greater the Gross National Product, the more prosperous we are. After adjusting for price and population changes, Mr. Rauber's data show that real, per capita GNP and Disposable Income in the past ten years of expansion increased about $10 and $6, respectively. Looks to scientists, bankers, and entrepreneurs to undertake leadership in facing the challenge of a future population growth at a rate greater than the economic growth rate, and upholds the virtues of frugality and savings *vis-a-vis*.

I sometimes feel that we economists pay far too little attention to the problem of population, although you would think that we of all people would be most concerned with it, as indeed, we once were. In these latter years we seem to have become so bemused with the ups and downs of our statistical aggregates and with the shifting patterns within them that we have almost lost sight of the fact that the economic drama is acted out by and for human beings — creatures who are driven by an imperious desire to reproduce themselves and are only partially restrained from doing so to the biological limit of their capacity by social factors. We sometimes forget, too, that population is not just instrumental in the economic process, but that its welfare is the final object of that process — the criterion in terms of which the success of the economic process must in the end be judged. Our technical ability to produce goods, therefore, and our biological capacity to reproduce ourselves are the two ultimate variables upon which the material wellbeing of mankind depends.

Earle L. Rauber

Steam Engine and Adam Smith

Looking back over history, one's attention is drawn to certain years that seem to have been heavier with destiny than others. Such a year was 1776. Three events of transcendent importance for the future occurred in that year — the appearance of Watt's steam engine, the publication of Adam Smith's "Inquiry into the Causes of the Wealth of Nations," and the signing of the American Declaration of Independence. These were not three unrelated and disparate events but were, rather, three manifestations of one profound historical event — the birth of freedom.

The steam engine, which harnessed to man's use the energy locked up in the world's coal beds, freed man forever from dependence upon his own muscles or those of work animals and paved the way for all subsequent conquests of power—oil and gas, electricity and nuclear energy. Without the steam engine these latter triumphs would have been unthinkable.

On another side, the steam engine freed industry in the matter of its location. Heretofore industry was compelled to cling to the banks of rivers either to secure the benefits of water power in production or because of the advantages of transportation that such sites provided. The steam engine, however, allowed industry to settle down in any place to which the ribbon of steel rails could be pushed. The steam engine, therefore, was the first long step toward technological freedom. It was itself the fruit of the union of science with industry, a union that has produced the amazing progeny with which we are now surrounded and which we take as a matter of course.

The publication of Adam Smith's classic work had a somewhat similar liberating influence in the realm of thought. Smith saw man as a creature endowed with an instinct to better his lot. He was also endowed with an instinct to truck or barter with his fellows. Since human talents and capacities differ, it was therefore natural for one person to do what he could do best and then to trade his product for that of others. In that division of labor Smith found the key to all material progress. Out of the striving of each man for his own betterment came the betterment of all as though lead "by an invisible hand." The benefits of division of labor, however, could only be realized in an atmosphere of freedom—in a state where there was the minimum of interference with economic activity by government.

Political Freedom and Laissez Faire

It was the signing of our Declaration of Independence and the kind of political structure later embodied in our Constitution that provided the first testing of Adam Smith's thesis. In this country alone were the economic energies of men free to employ the fruits of science in the exploitation of tremendous natural resources for the aggrandizing of their material welfare. In this country more than in any other the private businessmen — the enterpriser, the entrepreneur—became the center of the

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*An address by Mr. Rauber before the American Association for the Advancement of Science, New York City, Dec. 28, 1956.

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Kerr-McGee, for Fossil and Fission Fuels

By IRA U. COBLEIGH
Enterprise Economist

Some notes about an interesting company, moving ahead on land and sea in the production and refining of petroleum and the mining and processing of uranium.

Fuels run the world. We have passed through the supremacy of coal, arrived at the preeminence of oil and gas, and now appear to be moving toward the day when nuclear elements become our major power source. And a company right in the main stream of these fuel deliveries, whether oil or atom, is the enterprise we shall outline in prose today — Kerr-McGee Oil Industries, Inc.

Ira U. Cobleigh

We'll talk about petroleum first. Kerr-McGee has a nose for oil. In non-wildcat type drilling, it has, for the past five years, been bringing into production roughly seven out of every ten wells drilled. That's better than par for the course. Present production rate is around 5,600 barrels a day, with total reserves estimated at above 20 million barrels; and over 950 million CF of gas.

This oil is located beneath the land in some 18 states, and off the Louisiana seacoast. Special mention should be made of Kermac's "early bird" status in this offshore drilling. It brought in the first deep water well there, has a third interest in some 70,000 acres of petroleum prone whale pasture in the Gulf, and has nine complete offshore rigs with which to bring up the oil. To expand its cash income Kermac has, up to now, preferred to be a contract driller for other companies. In relation to size, Kermac has probably been the most successful tideland driller and appears to have perhaps the greatest potential there. Present offshore production is in the order of 500 barrels per day. Whereas others have stressed mobile platforms with submersible pontoons, Kermac was among the earliest with fixed platform and floting tender units which have operated with great efficiency. In due course and, especially because of larger cash income since the Deep Rock merger, you may expect Kermac to go in for more extensive drilling in its own tideland areas, rather than being mainly a contract driller there for others.

Kermac is steadily moving in the direction of more complete integration. It has three modernized refineries, all in Oklahoma, with a total daily capacity of about 40,000 barrels; and distributes in 13 states through 820 independent dealers.

Altogether the oil operations are characterized by (1) great success with the drilling bit on land and sea, (2) rising cash income from efficient refinery operations wherein products have been upgraded to higher percentages of gasoline and fuel oils, (3) highly profitable contract drilling, (4) expanding marketing outlets and sales, and (5) a prospect for quite dramatic increase in production of oil and gas by employing the larger cash resources now available in more extensive drilling operations. Kermac, as an oil company, is an intermediate that is beginning to look like a major.

As a uranium enterprise, Kermac is definitely one of the largest in the United States in point of ore reserves. In 1952, it purchased Navajo Uranium Co. in Arizona; and it built (and has since expanded) a $3½ million plant at shiprock, Arizona, for milling uranium. More recently a large ore body, three times as rich in uranium as the general run of reserves on the Plateau, has been located on a mining property at Ambrosia Lake, New Mexico. This acreage is jointly owned by Kerr-McGee, Anderson Development Company and Pacific Uranium and there have been estimates of commercial ore reserves here of over half a billion dollars. To work this mine, and mill the ores from it, Kermac Nuclear Fuels (58% controlled by Kerr-McGee) has been organized. Revenues from this exciting mineral property are in an early phase, but they represent a big plus factor in the future earning power of Kermac.

The fiscal year of KMG ended June 30, 1956 and results for that period showed $2.16 a share on the 1,812,020 shares of common then outstanding. This common is subject to some increase by virtue of provisions of certain convertible securities lying ahead of it. There are about $9 million of debentures convertible into common at $37.50. These pay 4½% interest, sell currently around 167 and are due in 1968. There are also outstanding 674,880 shares of $1.12½ preferred selling at 29. 2.4 shares of this preferred may be exchanged for one share of common through 3/31/58. This works out to $60 per share.

Assuming completion of these conversions, there would be outstanding 2,425,000 common shares preceded by $27.6 million in long-term debt.

The expansion of gross income at Kermac is in the best tradition of growth companies. Gross for 1950 (fiscal year) was $15¼ million. For 1956, the figure was $89¾ million and gross should cross the $100 million marker in 1957. The sources of revenue are roughly 70% from refined products, 9% each from uranium and oil and gas, and 12% from drilling contracts. We would definitely expect some changes in these relationships with higher percentages in the future in oil and gas, and in uranium.

As a result of the merger with Deep Rock Oil in April 1955 (financed by issuance of Kerr-McGee preferred to Deep Rock shareholders) financial position of Kermac has been strengthened and cash flow improved. Working capital is around $20 million, and there appears on the horizon no pressing need for further financing for some time to come.

Stock buyers should not enter the picture here on the basis of cash dividend distribution or current yield. The indicated 80c rate may look on the meager side for a stock selling around 60; but when you consider the rate of growth in net per share—around 20% a year for the past five years—and the actual cash flow (running at the rate of about $8.70 for present fiscal year) there are potentials for market gain in Kermac not frequently found. There was a 2-for-1 split of the common stock in 1946, a 10% stock dividend in 1952 and a 4-for-3 split in 1952. Market range, adjusted for the above, has been from a low of 5⅝ in 1950 to today's prices—an advance of over 1000% if that sort of thing interests you.

The management here has been imaginative and progressive and they believe in their company. This is evidenced by the fact that officers and directors own one-third of the common stock.

The past results at Kermac certainly justify considerable confidence about the future. The property account includes 1,136,666 net acres of land for drilling purposes; and the KMG acreage in the Gulf is not only most attractive with six salt domes already located, but it was acquired early and cheaply; and well in advance of the required fat bonuses that must now be paid to get favorably situated offshore drillsites.

Because of Kermac's rising stature as an integrated oil company; and its possession of uranium ore lands rich in quality and extensive in area; plus the related milling facilities, Kermac is in a unique position as a major supplier of the two dominant fuels of our time. The vision which KMG management has shown in developing this expanding enterprise into production of these two sources of energy, should command the confidence and respect of shareholders. The stock has definitely appeared to be under accumulation and is now found in the portfolios of some well known investment trusts — especially those accenting growth.

John Kinnard Staff

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Dorothy H. Eide is now with John G. Kinnard & Co., 133 South Seventh Street.

Observations . . .

By A. WILFRED MAY

THAT "THE MARKET"

Reflecting on departed 1956, we feel impelled again to pass along factual evidence that the public's concept of "*the* market" represents a fantasy. Remarkably, while the truth of this conclusion is freely admitted via lip-service, generalization, with consideration of market performance, as a unit persists unabated throughout published and verbal comment.

In the three major groups composing Standard & Poor's Index of 480 Combined Stocks, which in the 12-month period rose by 4%, the industrials gained 6%, while the rails were losing 8%, and the utilities declining 1½%.

Of the total of 1,035 issues listed on the New York Stock Exchange, 398 advanced, 563 declined, and 74 ended the year practically unchanged.

Cross-currents of the prices of different issues *within* a single industry are exemplified in the following tabulation.

Intra-Industry Course of Typical Issues in 1956
(With allowance for the effect of splits)

	%		%
American Cyanamid	+18	International Harvester	+ 6
Allied Chemical	—15	Minneapolis-Moline	—35
Continental Can	+20	United Aircraft	+28
American Can	—12	Douglas Aircraft	— 1
Columbia Broadcasting	+21	Southern Company	+ 3
Radio Corp. of America	—26	Public Service G. & E.	— 7
General Electric	+ 4	Safeway Stores	+23
Westinghouse	— 4	American Stores	—12
Chesapeake & Ohio *	+20	Gillette	+ 5
New York Central *	—29	American Safety Razor	—20
National Distillers	+23	Loews	+ 5
Distillers Seagrams	—28	Paramount Pictures	—23
Goodyear Tire & Rubber	+15	West Indies Sugar	+95
Goodrich	—27	Cuban American Sugar	—28
Georgia Pacific Plywood	+35	Kelsey Hayes Wheel	+30
U. S. Plywood	—17	Motor Wheel	—20
Texas Insurance	+30	Shell Oil	+43
Continental Insurance	—13	Richfield	—15

* These two companies have management "affiliation."

Market Impact of Suez

The onset of the Suez crisis during the year, with its drastic economic implications for the oil industry, in addition evincing the expected differing impacts on the international, the domestic integrated, and the domestic producing and royalty companies as groups, also evinced divergent effects on the individual issues within those groups.

Major International Companies
(August 1-December 30, 1956)

	%		%
Gulf	—13	Standard Calif.	—11
Royal Dutch	Unch.	Standard New Jersey	— 2
Socony	— 5	Texas	— 9

Domestic Integrated Companies
(August 1-December 30, 1956)

	%		%
Atlantic Refining	Unch.	Shell	+ 5
Cities Service	— 3	Sinclair	—95
Continental	— 1	Skelly	+ 9
Ohio	Unch.	Standard Indiana	+ 7
Philips	— 2	Standard Ohio	+ 4
Plymouth	Unch.	Sun	Unch.
Pure Oil	— 7	Tidewater	—14
Richfield	—14	Union Cal.	— 2

Domestic Producing and Royalty Companies
(August 1-December 30, 1956)

	%		%
Amerada	+ 4	Superior	+13
Honolulu	— 5	Texas Gulf Producing	—12
Seaboard	Unch.	Texas Pacific	—14
Signal	Unch.		

So we see that not even the advent of a short-term crisis permits abandonment of the closest individual analysis!

Joins Baxter Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Walter L. Schliecker has joined the staff of Baxter & Company, Union Commerce Building, members of the Midwest Stock Exchange.

With Jaffe, Lewis

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Paul M. Mowen, Jr. is now affiliated with Jaffe, Lewis & Co., 1723 Euclid Avenue, members of the Midwest Stock Exchange.

The State of Trade and Industry

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

Industrial output for the nation-as-a-whole continued to drop the past week, reflecting the closing of some factories for the New Year holiday. The most noticeable decreases occurred in the automotive, coal and lumber industries.

A decline of 35% took place in automotive output last weekend; it was 3% under the level of a year ago.

Steel mills scheduled operations at 98% of capacity, boosting production 8% over that of the preceding week. Output was 4% higher than the similar level last year.

It was reported this week that the steel mills have all the business they can handle at the moment with incoming orders equalling or exceeding shipments, but Detroit's shaky 1957 start has the mills worried. Some of the auto makers are dragging their feet on steel orders, states "The Iron Age," national metalworking weekly.

The effect on steel depends on where you sit. Some mills say their auto business is holding up. Others say they are taking a beating. Overall, it's not so bad as some reports seem to indicate, declares this trade weekly.

Mills are booked solid on most products for the first quarter. This includes cold-rolled sheets, despite last-minute order deferments that call for some scrambling to dispose of the extra tonnage.

Steel prices are still moving up quietly. Increases of base prices have been scattered and insignificant. But increases in steel price extras are cropping up almost daily. More such increases are likely to be in the works, it continues.

Another disappointment to steel mills thus far has been slow ordering from appliance makers. An expected rush from appliance companies has not materialized. One appliance plant has told steel producers it will order no sheet in the first quarter until its inventory has been worked down.

Other steel-consuming industries are more than taking up the slack. These industries include oil and gas, freight cars, construction and shipbuilding. Some mills are operating at above-capacity based on new capacity figures which are 5,000,000 tons higher than in 1956.

Steel scrap prices continue to move away from the record high of the year-end. Prices in major consuming areas dropped as much as $3 per ton. The near-term outlook is for continued weakness, "The Iron Age" states.

United States car production declined again in the last holiday week as most assembly plants operated three days, according to "Ward's Automotive Reports."

The statistical publication estimated output for the first week of 1957 at 91,111 cars and 10,122 trucks compared to 99,577 and 12,505 in the preceding week.

All General Motors divisions, American Motors and Studebaker-Packard ran assembly lines Wednesday through Friday. Scheduling Saturday output, as well, were five of 13 Ford Division plants, all four Mercury plants, Lincoln, Chrysler Division and Dodge.

"Ward's" noted that the car production pattern in December showed a decided switch from that followed throughout most of 1956. Ford Motor Co. and Chrysler Corp. accounted for substantially increased shares of production, General Motors a smaller part.

Of December's production of 596,238 cars, General Motors accounted for 47.1%, Ford Motor Co. 31.6%, Chrysler Corp. 18.4%, American Motors 1.5% and Studebaker-Packard 1.4%. The same "shares of production" are expected to continue in January, and may head into February and March, it added.

In contrast are the market penetrations of entire 1956, whose count is tabulated at 5,801,295 cars. Of the total General Motors produced 52.8%, Ford 28.7%, Chrysler 15%, American Motors 1.8% and Studebaker-Packard 1.7%.

Larger automotive industry payrolls aided in raising personal income to a record annual rate of $333,600,000,000 in November, the United States Department of Commerce reported.

This was an increase of $1,100,000,000 from the annual rate in October and $19,100,000,000 above the rate in November, 1955.

The department said Americans earned at an annual rate of $324,600,000,000 during the fist 11 months of 1956 and compared with an annual rate of $304,700,000,000 in the corresponding period a year earlier. Personal income for the full year 1955 came to $306,100,000,000.

Steel Production Posted This Week at 98.3% of Capacity

Steel mills got off to a good start last week on a predicted 120,000,000-ton production year, "Steel" magazine stated on Monday last. The national metalworking weekly reported they made 2,461,893 tons of steel for ingots and castings. Mills worked at 100% of the 1956 capacity.

Steelmen are forecasting that 1957 will be a record output year, overtaking the present high of 117,036,085 tons made in 1955. A 120,000,000-ton yield would be a 4.3% step-up over 1956's 115,000,000 tons.

To reach the new production level would mean an operating rate of 90% of capacity, based on the new official annual capacity figure for 1957 of 133,459,150 net tons, compared with 1956's 128,363,090 tons. The 1956 output represented 89.6% of the official capacity for that year.

The publication said capacity will continue to grow this year, probably more than it did in 1956. The steel industry has around 15,000,000 tons of new steelmaking capacity under construction and around 6,000,000 tons of it should be completed this year, compared with over 5,000,000 tons last year.

The year starts with mixed demand for steel, but demand should accelerate and total a new high for the year. That is indi-

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Fourteen Economists View 1957 Via Conference Board Forum

Foresee in 1957 a record year for total business, though moderately above the record set in 1956, with the first half stronger than the last six months. Discuss elements of strength and anticipate capital outlay increase at a decreasing rate, and a shift from highly stimulated to a more mature and competitive economy.

Rising national output and rising prices during first-half 1957, and a tapering off or plateau in business growth during the following six months, is foreseen by 14 distinguished economists participating in the latest session of the Economic Forum held under the sponsorship of the National Industrial Conference Board. For the year as a whole, the Forum expects a gross national product about 4% greater than in 1956, with about half of the increase due to higher prices.

John S. Sinclair

Consensus of Views

The consensus of the Forum, whose views were released Jan. 3, is that 1957 will be a record year for total business, but only moderately above the record set in 1956. Elements of strength in 1957, according to Forum participants, will be rising income and rising personal consumption expenditures, as well as increased government spending at both Federal and local levels. Residential construction expenditures are expected to remain at current levels, and private nonresidential spending will be moderately higher. The Forum also anticipates that total outlays for capital goods in 1957 will exceed 1956, but sees a possible decline in the trend of such spending during 1957.

In addition, Forum members emphasized that the business environment is shifting from the highly stimulated atmosphere of the first postwar decade to a more mature and competitive business situation. This change reflects the emergence in many industries of production capacity at least adequate to market demand, as well as reduced liquidity of consumers, business and the banking system.

The Economic Forum viewing 1957 prospects was under the chairmanship of John S. Sinclair, President, The Conference Board.

The following are highlights of the remarks by participants:

SOLOMON FABRICANT
Director of Research, National Bureau of Economic Research, Inc.

The United States is in an extremely good economic position today, judged by such things as employment, production, and income. But certain series in the financial sector that reflect the boom we are experiencing are higher. Interest rates are very much higher than they were a year ago. Debts are higher. The stock market has fallen off in recent months from a peak that was higher than a year ago. The average level of liabilities of business failures in recent months has been higher than it has been for many years.

Dr. S. Fabricant

. . . The average expansion in the business cycle as we ordinarily define it has been less than two-and-a-half years. The expansion we have been experiencing has been a little longer than the average, though not yet as long as some preceding expansions. In that sense the situation today might be said to contain seeds of trouble, though no actual trouble.

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

Disposable income will continue to rise in 1957. That will mean larger consumption expenditures which, of course, will be reflected in higher retail sales. . . . The aggregate volume of local, state and Federal Government spending will increase. Nonresidential construction will be moderately higher than it was in 1956. The decline in residential construction has about reached its low point. The automobile industry will operate on the average at a higher level than in 1956.

Jules Backman

. . . Investment in new plant and equipment could decline from the current rate of about $38 billion. Tighter credit will continue to be an important influence. The cumulative effect of tighter money is yet to be seen. Inventories are still a plus, but some time in 1957 I expect them to shift to a minus and hence have an adverse effect on GNP. . . . On balance, there should be a moderate rise in gross national product from the fourth-quarter level.

. . . The over-all rise in wage costs next year may run somewhere between 4% and 5%. I am looking forward to possibly a 2% rise in industrial prices. The wholesale price index and retail price index will go up somewhere in the neighborhood of 2% in 1957.

EDWIN B. GEORGE
Economist, Dun & Bradstreet, Inc.

I am expecting a total output in 1957 of around $434 billion, peaking in the fourth quarter at around $440 billion. In fiscal 1958, military expenditures are certain to rise. Two billion dollars isn't a bad guess but it would merely sustain current programs. . . . Other Federal expenditures will also be up by perhaps nearly a billion. For nonfarm-housing . . . I'm assuming about 1,050,000 starts or a little less, plus higher average values, plus more repair and modernization. In other private construction the emphasis may shift from office buildings and shopping centers to warehouses and distribution facilities generally. For public utilities I expect a sizable gain. There should be considerable gains in the construction of schools, religious edifices and farm construction. I see producers' equipment rising in 1957. Purchases of farm equipment, which have been a depressing factor this year, should rise significantly in 1957.

Edwin B. George

. . . I expect over-all consumer outlays to average about $280 billion for the year. For autos, I expect sales of something between 6.5 million and 6.7 million. For nondurables, a steady although

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Important Changes in the Rules on Running Our Economy

By HAROLD A. DULAN*

Head, Department of Finance, University of Arkansas

Finance departmental head contends our new economic "rules of the game" — i. e., departure from convertible international gold standard and adoption of full employment goals — shifts the economy from a fundamentally deflationary to an inflationary bias. Though those whose income remains constant, declines or stops completely during depressions will suffer when prices go up, instead of down, as a result of present policy of furnishing money as purchasing power to affect the business cycle, Professor Dulan points out that for the economy the second half of the twentieth century appears to promise unprecedented prosperity. Author suggests protective routes individuals and business can take to cope with long run inflation.

The organization of our monetary system before 1930 was such that for most of us the teachings of our fathers and grandfathers that a dollar saved was a dollar earned was a sound philosophy. Also, saving for a rainy day made sense because sure enough the rainy days came.

Harold A. Dulan

In the last 10 to 15 years we have all witnessed the development of a peculiar twist to the way these teachings of our fathers worked out. It is still good to have dollars but they don't buy as much when we need them as they would have bought at the time we saved them. Furthermore, as prices continue to rise for many people, particularly for us in agrcultural areas, and as incomes decline the squeeze between rising prices and declining incomes really hurts. More specifically, we get one shoe for our child for $5 where we once got two shoes for $5, and at a time when $5 becomes more difficult to get.

Perhaps some rule of the business and economics game has been changed which we had better learn about or we will continue to feel the pinch, not because we are less productive than others but simply because we did not know about the changes.

Some very important changes in the rules for running our economy have been made and unless we know about these rules we are apt to get hurt economically. That is, our standard of living may not be as high as it should be, both absolutely and relative to other people.

It is not my function to criticize what we as a nation are doing. These very monetary changes which I shall discuss may make possible the fabulous productive era which, sparked by automation, atomic energy and electronic computations, may usher in a standard of living for the second half of our century unparalleled in all history.

Traces Inflationary Bias

But, rosy as the future may appear, we must face reality today. I wish to call to your attention at least two developments which will unquestionably continue to exert a profound impact upon our economic well-being. Possibly for the good, but on the other hand possibly for the bad.

These two developments are:

(1) The substitution of a managed currency for the fully convertible international gold standard of our fathers' day.

(2) The adoption of a philosophy of full employment sponsorship by our Government with the use of the national debt as an instrument of public policy.

In brief, these two developments are largely responsible for shifting the operation of the United States economy from a fundamentally deflationary bias, such as our fathers and grandfathers were constantly plagued with, to a fundamentally inflationary bias such as we are now plagued with.

I should like to pause immediately to dispense with the thought that I refer to the elimination of the basic business cycle. No chicken grower in the past year or so would subscribe to the idea that business cycles are a thing of the past. Neither would any one of the many small businessmen throughout the United States who have gone bankrupt in the last few years.

We have not, that is, eliminated the cyclical nature of the demand for the products of business, but we have certainly changed the over-all pattern of the ability to buy by the population as a whole and any individual or businessman who fails to grasp this single fact is bound to get hurt sooner or later. He must adopt business policies to cope with this changed demand condition.

Increasing the Ability to Buy

Thus, it is now more conceivable than before 1930 that many businesses will continue to prosper while others fail. Likewise regions of the country may conceivably be prosperous while depression hits other regions.

Thus, whereas we may not have abolished the business cycle for individual products, we may very likely have either eliminated the convergence of cycles on the downside or at least found out how to bring them back up more quickly than we did in the early 1930's.

Unfortunately the cost of this achievement of a continuing high ability to buy for most people may be a long-term upward bias in the price level which is just the opposite of the long-term downward bias experienced by our fathers and grandfathers.

Before 1930 under a freely convertible international gold standard the quantity of money increased or we would have had drastic deflation as our production and our population rose. However, there tended to be lags in the increase in money supply relative to the pressures of economic expansion and at times, particularly periods of depression, serious contraction of the supply of money with resulting deflation.

Thus, as the increase in the quantity of money lagged relative to the rise in production prices tended to decline. Hence, a dollar saved in 1928 would buy more in 1932. In depressions money became very scarce, hence prices declined even more.

Aggravated Dilemma

Today, when depressions threaten, our Government creates more dollars, hence prices tend to rise. Now, if in a depression you should find yourself without work or with less income, your lot probably would be much worse than in previous depressions because prices may rise. Many agricultural regions are today faced with this aggravating dilemma because farm incomes have been declining while prices of most products were rising. Previously, in a depression, if you had no work or no income, you would not be hurt nearly so much because prices declined.

Principally, this monetary change is due to changing the rules under which our monetary system works. Instead of limiting the quantity of money by the quantity of gold held in our monetary system, we now keep the quantity of gold certificates constant in our central banks and create a vast reservoir of money supply by applying simple ratios against the gold base. The amount of this reservoir of money released at any time is controlled by institutions and by our representatives in government.

Recent vast capital formation in practically all productive areas of the United States economy, coupled with a lag in the conversion of monetary inflation into price inflation, has enabled us to hold the rise in the quantity of money within the limits of the rise in production. However, such nice balance cannot be guaranteed for all future periods nor has it been much comfort to those who have suffered an important decline in income.

Nevertheless, with a managed money system, our employment philosophy, and economic forces such as border wars, we are plagued with the ever present prospect of inflation. On the other hand, efforts to check the rise of inflation, such as the recent high-cost-money policy of the Federal Reserve System and such economic forces as the possible brittle character of current high-level capital formation plans, plague us with near-term deflation and the prospect of rising unemployment. In fact, during recent years the United States economy has stood poised at a very high-level prosperity with neither serious inflation nor serious deflation ever far off. The years 1957 and 1958 may be critical years because there appear many reasons to suspect that during these years the economic scales may very likely be tipped quite conclusively for a while in one of these two directions.

The important realization is that as a basic economic and monetary philosophy we as a people have adopted a preference for inflation over deflation, and there seems every indication that any rise in unemployment will be met with whatever economic and monetary tools are at hand, and in the recent past we have given special preference to deficit spending on an inflationary basis.

Prices and Full Employment

Turning now to the second important development — the Employment Act of 1946. The aim of this law is to see that everyone who wants or needs a job will get one. The basic idea is that if no one is out of work we will have no depression. Obviously a commendable aim. However, many unknown factors enter into the effective functioning of this Act. One possible result of the ineffective operation of this Act might be rising unemployment but rising prices. This would be a different condition than in previous depressions when we had rising unemployment but declining prices. To many individuals living in agricultural regions today this is a very real issue and worthy of careful thought and analysis.

Let us inspect certain aspects of the way this so-called "full employment" is implemented. When unemployment rises our Government does not take down the name of each individual who is unemployed and move him into some job. As you well know, to date our Government has sponsored — in various ways — "make work" programs and that sponsorship has emphasized mostly furnishing money as purchasing power in areas and to industries and businesses with the hope and the prayer that some job will be created and that the job and the man unemployed will get together. To date this technique has been quite effective. However, much of the money furnished by these

*An address by Professor Dulan before the Arkansas Chamber of Commerce.

programs has been credit-created money rather than money taxed away from those who had money income but had failed to spend it. Thus, the over-all money supply tends to be increased. Hence, prices tend to rise. In such a situation if the man without work fails to get the job he is even worse off than in previous unemployed periods because he still has no income but prices probably rise even higher. Quite a dilemma.

As I stated earlier, my purpose here is to face the possible impact of these recent developments and not to begin a debate as to whether we are right or wrong in our basic philosophy. We as a nation have adopted this route. We have adopted these changes as part of our "rules of the game."

Protective Steps

There are many protective routes to take in searching for a solution to the problem of living in such a dynamic business and monetary structure. The two basic routes are the active and the passive. The democratic processes of government are the most promising arenas for action to mold the changes to fit the needs of all the people. The November elections undoubtedly reflected such effort. The business and financial routes provide areas as reflected in stepped-up research expenditures by business and widespread mergers.

For the individual, the shift in emphasis in investment policies from creditorship instruments such as bonds to equities such as common stocks is a well-known protective route.

Conclusion

In conclusion, let me repeat that for us these dangers are that:

(1) Our managed money system, together with our employment program, may hurt us through inflation. No short run deflation should blind us to the basic long run inflationary nature of the course we have adopted.

(2) Considerable unemployment may persist at times in spite of the efforts of our Government under our employment program.

Thus, one whose income remains constant, declines or stops completely will probably suffer more severely in the future than he would have in the past because prices generally may rise in spite of increased unemployment. For the United States as a whole, in spite of any short-run recession which could occur at any time, the second half of the Twentieth Century appears to hold promise of a rising population with living standards and a prosperity unprecedented in all history.

W. T. Neff Opens

BELMONT, Calif.—William T. Neff is conducting a securities business from offices at 1521 Notre Dame Avenue. He was previously with H. L. Jamieson Co., Inc.

With Suburban Secs.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Stanley A. Jankovich is associated with Suburban Securities Co., 732 East 200th Street. He was formerly with Green, Erb & Co.

Smith La Hue Adds

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn.—William G. Wright is now with Smith, La Hue & Co., Pioneer Building.

J. P. Lewis Adds

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Alfred A. Nero has become affiliated with J. P. Lewis & Co., Inc., 735 North Water Street.

Hear! Hear!

"With industry and science pushing forward with new and better ideas, and with cheaper and faster production working toward a higher standard of living, our tax system is like a treadmill requiring ever greater effort to progress at all, and ultimately dragging us back.

"The fact that America has continued to grow and prosper during the past 15 years is no proof that our tax system is not destructive. We have gone forward in spite of it but at the expense of a good share of the progress we could and should have made. For millions of people in America, many business men among them, this crisis in capital may be hard to understand. But for the advocates of the all-powerful state, the crisis is simply the logical conclusion of their schemes and their labors. They planned it that way.

* * *

"Our present tax system is slowly but surely undermining our economy in three ways:

"(1) It destroys the incentive of people to work;

"(2) It makes it increasingly difficult, if not impossible, for people to save and provide the risk capital needed for our kind of economy to exist; and

"(3) It has a deadening effect on the spirit of enterprise, on the urge to try new ventures which has made America." — Ernest G. Swigert, President of NAM

Plain speaking, but we should do well to heed!

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.

Automobile Industry—Review—McDonnell & Co., 120 Broadway, New York 5, N. Y.

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

Canadian Financial Facts and Comment—Circular—Gardiner, Annett Limited, 335 Bay Street, Toronto 1, Ont., Canada.

Consumer Durable Goods — Survey — Calvin Bullock, Ltd., 1 Wall Street, New York 5, N. Y.

Facts and Figures in Review—Pertinent comparisons of significant research yardsticks—in current issue of "Gleanings" Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Investment Patterns in the World Petroleum Industry—Study—Chase Manhattan Bank, 18 Pine Street, New York 15, N. Y.

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

Market Outlook for 1957—Bulletin—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

New York Bank Statistics — Annual comparison available Jan. 14—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

Payment of Interest on Time and Savings Deposits—Revision of operating circular No. 15—Federal Reserve Bank of New York, New York, N. Y.

Penny Stocks of Rocky Mountain Region—Bulletin—Carl E. Ruple, P. O. Box 1735, Colorado Springs, Colo.

Railroad Outlook for 1957 — Bulletin — Vilas & Hickey, 26 Broadway, New York 4, N. Y.

Steel Industry—Discussion in current issue of "The Exchange" Magazine—Exchange Magazine, 11 Wall Street, New York 5, N. Y.—$1 per year.

* * *

Caterpillar Tractor Co.—Analysis—Sartorius & Co., 39 Broadway, New York 6, N. Y.

Columbia Broadcasting System Inc.—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of **Socony Mobil Oil Company**, and reports on **Vitro Corporation of America, I. T. E. Circuit Breaker** and **Minerals & Chemicals Corporation of America.**

Copper Range Company—Analysis—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

Couture National Car Rental System—Memorandum—Atwill & Co., 605 Lincoln Road, Miami Beach 39, Fla. Also available are memoranda on **Giffen Industries** and **Mackey Airlines Inc.**

Hialeah Race Course, Inc. — Bulletin — Hunter Securities Corporation, 52 Broadway, New York 4, N. Y.

International Textbook Company—Analysis—Boenning & Co., 1529 Walnut Street, Philadelphia 2, Pa.

Kingwood Oil Company—Analysis—New York Hanseatic Corporation, 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.

Maule Industries — Analysis — Greene and Company, 37 Wall Street, New York 5, N. Y.

J. Ray McDermott & Co.—Memorandum—Howard, Weil, Labouisse, Friedrichs & Co., 222 Carondelet Street, New Orleans 12, La.

Northwest Plastics, Inc.—Analysis—Irving J. Rice & Company, Inc., Pioneer Building, St. Paul 1, Minn.

Oblates of St. Francis De Sales High School Inc. (Toledo, Ohio) —Circular—B. C. Ziegler and Company, Security Building, West Bend, Wis.

Oklahoma Mississippi River Products Line, Inc. — Analysis — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Opelika Manufacturing Corp.—Memorandum—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

Scudder Fund of Canada Ltd.—Descriptive booklet entitled "The Answer"—Lehman Brothers, 1 William Street, New York 5, N. Y.

G. D. Searle & Co. — Memorandum — Illinois Company, 231 South La Salle Street, Chicago 4, Ill.

Sedgwick County, Kans., School District No. 69—School Building Bonds — Report — Davidson-Vink-Sadler, Inc., Beacon Building, Wichita 2, Kans.

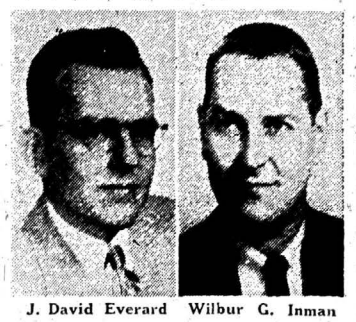
Southern Company—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

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

Wheeling Steel Corp.—Report—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are data on **Pullman, Inc., Garrett Corporation, National Malleable & Steel Castings** and three suggested **Portfolios.**

John Nuveen & Co. Promote Three

CHICAGO, Ill.—Appointment of Wilbur G. Inman and J. David Everard as assistant managers of the underwriting department of



J. David Everard Wilbur G. Inman

Albert S. Hammer

John Nuveen & Co., 135 South La Salle Street, and Albert S. Hammer as assistant manager of the company's research department is announced by C. W. Laing, President of the 58-year-old investment banking house. All are veteran employees of John Nuveen & Co., oldest and largest investment organization in the United States dealing exclusively in municipal bonds. Mr. Inman, a graduate of the Northwestern University School of Commerce, began his banking career with the Continental Illinois National Bank & Trust Company of Chicago and joined Nuveen's Treasury Department in 1937. After World War II service as a Lieutenant, USNR, he became a member of Nuveen's underwriting department in 1946.

After graduating from Wheaton College in 1938 and earning a Master's Degree in Merchandising from New York University in 1939, Mr. Everard became associated with John Nuveen & Co. in 1940. He also was a Lieutenant, USNR, and returned to the company in 1946 as a member of its underwriting department.

Mr. Hammer is a graduate of Northwestern University School of Commerce. After serving in the USAF with the rank of Captain, he became a member in 1945 of Nuveen's first "class" of trainees as the company launched its post-war expansion program. He has been a member of the research department since 1947.

Joins R. F. Griggs

(Special to THE FINANCIAL CHRONICLE)

WATERBURY, Conn. — Leo J. Markowski has been added to the staff of R. F. Griggs Company, 35 Leavenworth Street.

A. G. Becker Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — John C. Coleman has become connected with A. G. Becker & Co., Inc., 120 South La Salle Street, members of the New York and Midwest Stock Exchanges.

With Miller, Spink

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Leo M. O'Neill has become associated with Miller, Spink & Co., Inc., 231 South La Salle Street.

Ira Haupt & Company Opens Chicago Office

CHICAGO, Ill. — Ira Haupt & Co., members of the New York Stock Exchange, announce the opening of a branch office in the

Byron J. Sayre George F. King

Chicago Board of Trade Building, to deal primarily in tax-exempt securities.

Byron J. Sayre will manage the new office and George F. King will be in charge of sales. Mr. Sayre was formerly with John Nuveen & Co.; Mr. King was with White, Weld & Co.

Fred W. Schulz, previously with Blair & Co., Incorporated, will also be associated with Ira Haupt.

Govs. of Exch. Firms Announce Meetings

The dates and locations of 1957 meetings of the Board of Governors of the Association of Stock Exchange Firms are as follows:

Jan. 24-25, Chicago, Edgewater Beach Hotel.

May 6-7, Richmond, Jefferson Hotel.

Oct. 7-8, San Francisco, Hotel Mark Hopkins.

Oct. 10-11, Los Angeles, Beverly Hills Hotel.

M. G. Hunt Opens

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Merrill G. Hunt is engaging in a securities business from offices at 4420 Clark Avenue.

With A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Benjamin F. Edwards III, James C. Ford, Cletus H. Niebur and Richard G. Reilly are with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

Freeman Secs. Branch

WACO, Tex.—Freeman Securities Corporation has opened a branch office in the Amicable Life Building under the management of T. Jack Meyer.

Janney, Dulles Branch

LANCASTER, Pa. — Janney, Dulles & Battles, Inc. have opened a branch office at 56 North Duke Street under the direction of Presper N. Hill.

Awards to Be Made To Writers on Business And Finance Subjects

Sidney S. Loeb Memorial Foundation establishes an annual award, administered by University of Connecticut, to honor outstanding business and financial writers.

Business and financial writers of the nation's newspapers and periodicals will receive special recognition of their journalistic efforts with the establishment of an annual Loeb Award to be administered by the University of Connecticut, at Storrs.

G. M. Loeb

The award is designed to "encourage excellence in reporting on the field of American business and finance, and thereby fulfill a public need for better understanding of our free enterprise economy."

Governor Abraham A. Ribicoff of Connecticut, ex-officio chairman of the university's board of trustees, accepted on its behalf an initial grant of $50,000 from the Sidney S. Loeb Memorial Foundation during a ceremony in his office Jan. 7. The endowment was made by the Foundation's President, Gerald M. Loeb, partner of the stock brokerage firm of E. F. Hutton & Co., and a resident of Redding, Conn. Attending the presentation ceremony were Dr. Albert N. Jorgensen, President of the university, and Dr. Laurence J. Ackerman, Dean of the School of Business Administration.

Three Prizes Each Year

The first announcement of prize-winning selections is planned for May, 1958. Three prizes will constitute the yearly Loeb Award, each a cash award to the chosen writer plus a bronze plaque to the publication in which his article appeared. The denominations of the cash prizes are: first, $1,000; second, $500; and third, $250.

Mr. Loeb, who created the Foundation in memory of his departed brother, has guided its philanthropic aims principally in the fields of financial and architectural education, and medical research.

"According to a census taken by the New York Stock Exchange early in 1956," states Mr. Loeb, "There are about 8,630,000 persons who own shares of publicly held corporations. This suggests that since 1952 an average of 500,000 persons are joining the American stockholder family every year. Such growth is fostered through a well-informed public. And the very future of American capitalism rests on a continuation of this expansion."

Excellence in Reporting

It is Mr. Loeb's belief that the public's thirst for an understanding of America's free enterprise economy, and its increasing interest in equity ownership demand excellence in reporting on these subjects.

Dean Ackerman, Chairman of an Advisory Board which will be appointed for the purpose of selecting the prize-winning stories, acknowledges that "other journalistic awards honor many facets of accomplishment in the field, but the sphere of business and financial reporting appears to be lacking in recognition."

He explained that notice of the Loeb Award and its rules will be issued to every American newspaper published daily that has a business or financial editor on its staff, to periodicals devoted to general business and financial news, and to general consumer periodicals selected by the Advisory Board. A publisher, reporter, or interested third person may submit one or more published stories to the Secretary of the Advisory Board at the University of Connecticut.

Following the announcement of the Board's selections, the prize-winning articles will be reprinted in a booklet and distributed free to libraries, colleges and other interested parties in keeping with the public education purpose of the Loeb Award.

Course on Investment Offered at Town Hall

"To help New Yorkers manage their financial affairs more effectively," the Town Hall will sponsor a 10-session course on "Investing Your Money," Ormond J. Drake, director of Town Hall, has announced.

The class meets at 8 p.m. on Wednesdays, beginning Feb. 6, in the Town Hall lecture room, 123 West 43rd Street, New York. Leon J. Weil, branch office manager of Steiner, Rouse & Company, will serve as instructor.

Mr. Weil's lectures and the class discussions will deal with common stocks, preferred stocks and bonds, the nature and function of the New York Stock Exchange, and the operation of investment companies. Members of the class will receive help in setting up a sound investment program.

Registration for the course is now being conducted at Town Hall.

With Eastman Dillon

PHILADELPHIA, Pa.—Eastman Dillon, Union Seclurities & Co., 225 South Fifteenth Street, members of the New York Stock Exchange and other leading exchanges, announce that Helen Norris Lucke has become associated with their Philadelphia office as a registered representative.

Joins H. Rousseau

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Anna Rousseau has joined the staff of Herman Rousseau, 8 Flagg Street.

Green & Co. Install Wire to Morgan & Co.

Green and Company, 37 Wall Street, New York City, announce the installation of a direct private wire to Morgan and Company, Los Angeles, California, members of the Pacific Coast Stock Exchange, with facilities on a nationwide scale.

Geo. W. Metlar Co. Formed

(Special to THE FINANCIAL CHRONICLE)

MENLO PARK, Calif.—George W. Metlar is engaging in a securities business from offices at 255 Waverly Street under the firm name of Geo. W. Metlar Co. Mr. Metlar was formerly with Reynolds & Co.

Significance of Bank Mergers

By J. FRED WESTON*
Professor of Finance, University of California, Los Angeles

Important factors contributing to bank mergers, other than attractiveness of merger terms, are analyzed by California economist who doubts legislative action will stop decline in number of small unit banks. Professor Weston finds: (1) majority of absorbed banks were mostly small; (2) effects on bank concentration over-all have been relatively minor; and (3) "it is impossible to conclude that if concentration in banking increases, competition in banking has likewise decreased." Author offers prescription to reduce bank merger rate

I
Introduction

On May 9, 1956 the Bank Holding Company Bill was signed into law. While the Bank Holding Company Act will have some effects on concentration in banking, it does not affect mergers between banks where one of the banks is not a bank holding company. The trend of mergers in banking will therefore be of continued concern. During the 1940's about 80 bank mergers took place each year. Currently, the rate of bank mergers is approaching 300 per year. This increased rate of bank mergers has aroused apprehensions that it has or it may lead to concentration or monopoly of bank resources in the United States.


Dr. J. Fred Weston

To appraise the significance of bank mergers, I should like to analyze: (1) the reasons or motives for bank mergers, (2) consider some possible consequences of mergers, and (3) draw some general conclusions from this survey of the factual material.

II
Reasons or Motives for Bank Mergers

If one objects to bank mergers and seeks to prevent them, it is necessary to analyze first why these mergers have occurred. From studies of bank mergers that have taken place, I observe a large number of reasons for mergers. This analysis will center attention on the motives which appear in the greatest number of situations.

(A) Management Reasons. Studies by the Controller of the Currency and of the Federal Reserve Bank of Philadelphia indicate that management reasons have been an influence in some 50% of the bank mergers that have taken place. These management reasons consist of three factors.

First, inheritance tax considerations have been important in bank mergers. If the stock of a bank is not widely traded so that current market quotations do not exist, valuation problems arise in connection with inheritance taxes. By selling out to a larger bank whose shares are widely traded, going valuations of the shares are provided or the sale itself may establish the value. Furthermore, in the merger the owners of the absorbed bank may obtain other holdings in such a form that they can proceed to make gifts and engage in other steps of estate planning which will both minimize their taxes and provide the necessary liquidity to their heirs in meeting any obligations that will remain.

Second, management succession problems have been a factor causing small firms to sell out to larger banks. This is the problem of aging managements with no suitable replacements. This has probably been a more important influence in banking than in industry in general as a cause of mergers. Why should this be the case? The hypothesis may be offered that banking is, more than industry in general, a small business industry. In relatively small firms, long-range planning in connection with personnel policies may be, and often is, neglected. As a consequence, principals in banks find themselves approaching retirement age without having developed adequate replacements.

Third, in the very tight post World War II labor market, banks have had difficulty competing effectively for new personnel. As a consequence, mergers have taken place to obtain experienced personnel.

It will be observed that management factors have, in the main, been considerations which have been an especially strong influence on smaller banks. In some cases it has affected larger banks which have sought to obtain personnel with specialized skills which had not been developed in their own organization.

(B) Changes in the Character of Banking: Two trends of great significance have taken place in banking as a form of merchandising: suburbanization and retailing. As population has moved from the city to suburban and outlying areas, deposits have been drained from the downtown banks, and loan business has moved to banks closer to the people.

This trend has been aggravated by the increase in importance of retailing of bank operations. Consumer loan and real estate portfolios have increased in significance in the lending operation of commercial banks. Between 1947 and 1954 consumer loans increased from 15% of total commercial bank loan portfolios to 21%. Banks have become less a wholesaler of credit to large business firms which in turn retail credit to consumers than direct retailers of credit to consumer themselves. Also, because of the trend to greater equality of income distribution, banks have sought to replace a small number of large accounts with a greater number of accounts drawn from the increasing middle income group.

This influence, coupled with the suburbanization of population, has meant that banks have found it necessary to locate closer to the people than they had done in the past. The question then developed, what was the best way to locate in the areas to which population was moving?

Where branch banking is permitted, a strong inducement obtains for the establishement of branches by buying out existing unit banks, for several reasons. Shortages of trained bank personnel provide an inducement to establish branches by acquisition rather than by a *de novo* establishment. In some cases a *de novo* bank cannot be established because it would be too difficult to establish a need for banking services to the supervisory authorities. Furthermore, a *de novo* bank would have to build its deposits from the very beginning, whereas when a bank is purchased, the branch has a deposit base with which to begin.

(C) Premiums Paid to the Absorbed Banks: Given the above important underlying factors making for bank mergers, the tendency for mergers has been enhanced by another important facilitating condition. For some time banks have sold at a discount below their book value. In 1950, for example, bank stocks often sold for as much as 20% below their book value. Since the actual value of the bank assets are often at least as great as, or greater than, the book value of these assets, one way of unlocking stock owners from the situation in which their stocks are undervalued is through merger. This makes it possible for the acquiring bank to offer relatively attractive terms to the absorbed bank. If there are, in addition, other business reasons for absorbing the bank, the merger is more than likely to take place.

Studies indicate that stock holders of absorbed banks received $1.05 of book value of the combined bank for every dollar of book value which they previously held. They received a 21% premium of earnings in the combined bank and a 51% premium of dividends. Finally, they received a 30% premium of market value of stock in the absorbing bank. Such attractive terms of mergers would, of course, represent strong inducements to the owners of absorbed banks.

These, then, have been the factors associated with bank mergers. What are the consequences?

III
The Consequences of Bank Mergers

Approximately 56% of the absorbed banks held deposits of $5 million or less. Only 2.4% of the absorbed banks held deposits of $100 million or more. On the other hand, 37.5% of the acquiring banks had $100 million or more assets. In brief, the majority of absorbed banks were small and in the main they were acquired by large banks. Because the acquiring banks were mostly large and the acquired banks were mostly small, the effects on bank concentration over-all have been relatively minor. The 10 largest banks in the United States held 19.5% of total banking assets at the end of 1944; after 10 years of mergers, their share had declined to 17.3%.

In the State of California the percentage of total assets held by the five largest banks at the end of 1944 was 67%. By the end of 1954 this had grown to 74%. However, this increase of some seven points in the percentage of total assets held by the largest five banks is accounted for entirely by the growth of Bank of America, whose position grew from 40% of total banking assets in California to approximately 47% over this period.

Studies by the Federal Reserve Bank of St. Louis indicate that mergers in that region had relatively small effects on concentration. The data of the Federal Reserve Bank of Philadelphia indicate that mergers did increase concentration in that area and the

*I have benefited from assistance from the Bureau of Business and Economic Research at the University of California, Los Angeles, in connection with a broad study of mergers.

mergers of banks in New York City doubtless increased concentration.

Does Concentration Lessen Competition?

While mergers may increase concentration in banking, the effects on banking competition are less certain. This paradox obtains because of the multiple nature of banking competition. Considerable competition exists between banks in different regions because of correspondent banking relationships. Thus, a relatively small bank can compete with Bank of America because it can call upon as an ally a correspondent bank in New York, such as Chase Manhattan, or the First National City. Small unit banks may have more flexibility than a branch office and on large loans may compete with larger branch systems and groups through correspondent banking relationships.

In addition, commercial banks must compete with other noncommercial banking institutions which perform one or more commercial banking services. The some 14,000 commercial banks in the United States compete with 135,000 non-bank offices and companies. These non-commercial banking offices consist of savings and loan associations, insurance offices in the form of agents, correspondents, etc., installment finance companies, personal finance companies, real estate mortgage companies, pawnbrokers, credit unions, depository postal savings offices, national farm loan associations, production credit associations, Western Union offices and stations, and American Express Company offices (the latter two groups provide money exchange services.)

Thus, many kinds of competition must be faced by commercial banks. Because of the interregional and inter-institutional competition in the financial areas, it is impossible to conclude that if concentration in banking increases, competition in banking has likewise decreased.

Despite doubts on the relationship between concentration and competition, bank mergers are naturally a cause of concern to those who attach great importance to the survival of the small unit bank in the American banking system. Many of these people have raised the question, "Will the rising tide of bank mergers engulf the independent banker?"

In my judgment the position of the small unit bank is not going to be eroded. Sound economic reasons exist for the operation of the unit bank. It is close to the needs of the people. It is flexible. It can provide a wide variety of valuable services to business and consumers in an aggressive and imaginative fashion.

Preserving Unit Banks

Despite these advantages small unit banks have been selling out in mergers. If this trend is to be reversed, what shall be done?

It is extremely unlikely that legislative action will do the job. In 1950, section 7 of the Clayton Act was strengthened. It now prohibits purchase of assets as well as stock of a competitor where such acquisition would substantially lessen competition. But this legislation has not been effective in reducing the rate of industrial mergers. In 1955 there were more than 500 corporate mergers and acquisitions in manufacturing and mining industries. Furthermore, the contemplated legislation requiring that companies planning mergers give the government advance notice is not likely to have much effect on the number of industrial mergers. Since strengthening section 7 of the Clayton Act has not diminished the rate of industrial mergers, similar legislation is not likely to decrease substantially the rate of bank mergers.

While pending legislation in regard to mergers may be salutary, the really fundamental answer to stemming the tide of bank mergers goes back to the causes which have produced them. In the light of the underlying forces making for bank mergers, a prescription for reducing the rate of bank mergers would call for the following: (1) Small banks need to develop personnel programs and to develop replacements for principal officers. (2) Operations must be streamlined so that on a cost and output basis small banks will compete effectively with larger banks and branch systems. This calls for help through correspondent relationships and bank management analysis through the continued aid of banking associations. (3) Owners and managers of small banks must not lose sight of the strength of unit banks—their flexibility, aggressiveness and ability to provide specialized kinds of services. (4) Estate planning by the principals in small banks will avoid many of the situations which have caused small banks to find it almost necessary to sell out to larger banks. Banking associations might well arrange conferences and brief materials to indicate the importance and value of estate planning. This would call attention to the problem and enable some action beforehand to be taken. Specific plans, of course, would require the services of experts.

IV

Conclusions

A place exists for many kinds of banks in our complex industrial community. There is a need for unit banks, small and large branch systems, banks specializing in commercial operations, in consumer lending, in real estate operations, in agricultural operations and development. The trends making for mergers in banking have, to a considerable extent, taken place because of situations which owners of small banks have themselves allowed to develop. If bankers are opposed to the growth of mergers in banking, it is within their own power substantially to reverse this trend. There is high survival value for each of the kinds of banking forms operating in the United States.

Sheffield Adds

(Special to THE FINANCIAL CHRONICLE)

NEW LONDON, Conn. — Louis P. Gray III is now affiliated with Sheffield & Co., 325 State Street.

Combest, Pitluga With Midland Securities

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Earl L. Combest and Edward F. Pitluga have become associated with Midland Securities Co., Inc., 1016 Baltimore Avenue. Both have recently been associated with Dewey, King & Johnson. Prior thereto Mr. Pitluga was an officer of Barrett Herrick & Co., Inc. Mr. Combest was an officer of Prugh, Combest & Land, Inc.

Mutual Fund Inv.

ORLANDO, Fla.—Mutual Fund Investments has been formed with offices at 221 Depot Place to engage in a securities business. Partners are Jay E. Schenck and Luther V. Schenck, Jr.

We Cannot Walk Away From World Economic Problems

By M. J. RATHBONE*
President, Standard Oil Company (New Jersey)

Viewing Middle East problems as part of the one big problem of Communism's threat to the free world, Standard Oil (N. J.) President appeals to American businessmen to think seriously of world problems so as to "develop a force . . . which cannot fail to be felt everywhere in the world." Despite tremendous task of altering long established oil flow patterns within this country, Mr. Rathbone states oil movement problem is bigger than the availability of oil itself, and estimates Western Hemisphere will provide enough oil so that when added to what can be moved from the Middle East up to 80% of Western Europe's normal needs will be met, so long as present situation continues. Believes, however, concomitant dollar shortage will affect us and NATO, and praises our foreign policy to date.

A few weeks ago I was talking to a director of one of our company's foreign affiliates who was in New York for a short visit. During our conversation he made a statement about the United States which struck me as being very true, and the more I have thought about his words the more impressed I am by his observation. We were discussing his views of this country, particularly the character and strength of its business system. He, like many businessmen from other countries whom I have met, has tremendous respect for American economic accomplishment. But it was the reason he described as being responsible for this success that I find worth repeating.


M. J. Rathbone

"American business," he said, "has done so much because your free enterprise system is really based on self-interest. But while it richly rewards the individual for hard work in his own behalf, it pays immensely greater rewards to the many who benefit because that work has been done. Other economic systems may have their goals set by a central planning authority, which theoretically might seem to represent a more efficient use of men and materials; but the highest goals are reached when millions of individuals labor for themselves and, in the process, contribute to and share in the general progress."

Probably many of us tend to think of self-interest in the narrow sense of meaning solely a selfish regard for personal enrichment and advancement and, therefore, the word "self-interest" has a bad connotation. Certainly some rules of fair play, decency, and restraint are required, and the right to work in your own self-interest cannot be construed as license to impose unfairly on others. Nevertheless, it does seem to be true that our social and economic system, which permits every individual—be it a person or a corporation—to reap individual rewards for hard work, inventiveness, and progress, produces more virile, productive, progressive, results than any other system the world has known.

How Success Helps All

America has been blessed in many respects. We have a wealth of natural resources, and great geographic advantages. We have tremendous resources of people of varying backgrounds, traditions, and characteristics, welded together under a Constitution and a Bill of Rights which ensure to everyone the vital freedoms of speech, religion, assembly, and opportunity. And behind all this we have a business system founded on this broad principle of self-interest, which is the driving force enabling America to realize its full potential in the use of our human and material resources. Thus, while everyone profits individually, the country as a whole profits also. Success for the individual breeds success for the nation.

You might rightly suspect that I admire the kind of self-interest which produces such beneficial results, and indeed I think most of us do. It seems to me, however, that it may be necessary to think of our self-interest in broader terms than we generally do today. And what I have to say applies to every businessman in Tulsa—or, for that matter, anywhere else in the United States.

Until a comparatively few years ago it was enough for the interest of most Amreican businessmen to be centered around purely domestic matters. Our country was pretty much self-sufficient. From our own raw materials we made the things we needed, buying and selling them among ourselves to our mutual profit. Our export and import business, while important to some people, on the whole was rather incidental. Though we had some foreign business problems, generally speaking we could afford relatively to ignore economic happenings in other parts of the world, just as we were able largely to disregard social and political events in those areas. A war in China, a strike in South America, a famine in India, a change of government in France, the assassination of a ruler in some far off country were matters of interest to us but not occurrences which we felt had any real effect on our own personal interests. But, whether we like it or not, those days are gone forever.

Our Growing Internationalism

They have passed within our own lifetimes, and to a great extent since World War II. We have seen the earth shrink under the influence of rapid communication, a speedup in technology, the specter of global warfare, and the emergence of the United States in the role of a world leader. We have seen new nations formed, underdeveloped nations determined to gain recognition and the good things of life for themselves, and older empires declining in power and prestige. We have seen the rise of the communist ideology and its determination to achieve world domination. All of us have acknowledged the realities of this new situation. We know that America's defense no longer lies within our own borders but now depends on friendly neighbors and the maintenance of a military system capable of acting quickly and forcefully in any part of the globe. To back up this conviction we have built military bases abroad, have given billions of dollars to strengthen the economies of our friends and allies and have paid the dearest price of all by spending American blood in such far away places as Korea. We know now that what happens in other countries is definitely of great military and economic importance to us.

But our enemies realize that we know this. There is good reason to believe they prefer to avoid the attempt of defeating us through direct warfare, in which there could be no hope of real victory but only the certainty that both sides would be destroyed. So the aim of communism today is to bring about our defeat through economic means. The communists intend to alienate our friends, to weaken them economically, to disrupt our trade with them, and to interfere with our sources of raw material supply until we are left to wither on the vine.

Not too long ago, as I have mentioned, we could have laughed at these tactics. We were sufficient to ourselves. Now, although America is strong and still has abundant resources, we need many raw materials from abroad to supplement our own supplies and will require even more in the future. Let me emphasize that I am not speaking about just the international aspects of American commerce. The copper, manganese, tin, and iron, the aluminum ores, and rare earths, yes and even the petroleum that we will increasingly need from outside our borders will be necessary for goods manufactured and used domestically. The export side of foreign trade will, of course, continue to be tremendously important to the maintenance of an expanding American economy. But imports into this country will be just as important to keep up and increase the production of automobiles, aircraft, refrigerators, and thousands of other articles which we make, buy, or sell here at home. Our increasing population and our rising standard of living depend on this outside supply.

Russian Economic Offensive

It is, therefore, obviously in the self-interest of our nation and its businessmen to know the extent of this new economic offensive and its potential effects upon our lives—and to think how we may meet it.

Looking at the first aspect of this situation—there has been a quiet but alarming upsurge in the extent of the Soviet economic challenge beyond its own borders and those of its satellites. In all parts of the world today, including the countries of our allies as well as those of uncommitted peoples, we can see the sympathetic communist trade mission and the smiling Soviet salesman with an order-book in his hand. These are visible evidence of the fact that in the past three years the total trade of the Soviet bloc with the rest of the world has increased by 45%.

In this growing economic aggression, the communists have certain natural advantages. As exporters, they do not have to worry about making a profit if there is some political advantage to be gained; their so-called "businessmen" do not have to make an accounting to stockholders, they can negotiate commercial treaties without fear of a shift in their government's foreign trade policy. Leading from this position they are making inroads among peoples whose ultimate decision about the political paths they will follow in the years ahead will largely determine how many friends and allies we will have left upon the earth. In the Far East, for example, Indonesia recently accepted a $100,000,000 "loan" from Moscow; Afghanistan has tied her economic future to communism; Russian technicians are building a steel mill and planning to provide oil refineries and other facilities in India; and Soviet oil is being peddled under what are described as very attractive terms to Thailand, Burma, and other countries.

U.S.S.R. Middle East Offers

In some Middle Eastern countries communist traders are offering to build ports, refineries and highways in exchange for fantastically small sums of currency or as outright barter for surplus commodities such as cotton and vegetable oil. Soviet catalogues describe drilling rigs, tractors, plows, trucks, cranes and diesel engines to prospective buyers—all deliverable upon the same easy terms. Those of you in the oil industry have probably seen re-

Continued on page 30

*An address by Mr. Rathbone before the Tulsa Chamber of Commerce, Tulsa, Oklahoma.

Chemical Industry's Prospects

By MAURICE F. CRASS, JR.*

Secretary, Manufacturing Chemists' Association, Inc.

Mr. Crass predicts: (1) chemical production and sales will reach new peaks in 1956 and first six months of 1957; (2) chemical prices to hold pretty much to the present level into 1957; and (3) assuming Federal Government recognizes need for rapid tax amortization, 1959 should witness a 29% larger productive capacity. Author describes possibilities of plastics in building industry and other developments.

I believe that I can predict, with a fair degree of certainty, that new peaks are on the horizon for the chemical industry in production and sales for calendar 1956, with a carry-over into at least the first six months of 1957. During the projected period, I would expect prices to retain their present stability, but that higher costs will produce a squeeze on profit margins — continuing the trend that began in the third quarter of this year.

M. F. Crass, Jr.

Because of the international situation, more defense spending and larger foreign aid appropriations can be anticipated, thus decreasing the likelihood that tax relief will help to bolster profits. It is expected also that chemical export volume may decrease somewhat, due to the dollar situation brought about as an aftermath of the Suez crisis.

Predictions, although uncertain, must be made, and when based upon the chemical industry's past record of growth, I have few qualms in uttering my optimistic —if crystal gazing—remarks, particularly as related to the long-term trend. After all, it was Shakespeare who said, "What is past is prologue." Before we can project ourselves ahead we must examine what has already been achieved. I shall try to do both as briefly as possible.

Record High Chemical Sales

Chemical industry sales are now progressing at a rate of $2 billion per month, showing an expectancy of $24 billion or more for 1956. This will be an all-time high—4% greater than in 1955. In terms of dollar volume, sales have expanded more than five-fold since 1939. As to the future, a recent survey indicates that between 1955 and 1959 our sales will increase 39% as compared with 24% for all manufacturing. Hand-in-hand with sales goes production as an indicator of growth. In the first three quarters of 1956 chemical production stood 7% higher than in the previous year, as compared with a 4% gain for all manufacturing.

Capital expenditures for 1956 are expected to reach an all-time high of $1.5 billion, an increase of 47% over 1955. This means that the chemical industry will have invested about $12 billion in new plant and equipment from 1946 through 1956. Looking ahead, chemical manufacturers expect their productive capacity to be 29% higher by 1959 — or more than double that of 1950.

Recent increases in the prime interest rate for borrowed money have not as yet affected our expansion program appreciably. This is borne out by construction outlays for the first six months of 1956 which represented 95% of those originally scheduled. Chemical firms have traditionally financed most of their expansions internally. A continuance of this practice is problematical in the face of apparent termination of the rapid tax amortization program and the inadequacy of depreciation allowances as related to the financing of new capital programs. Chemical plants have higher erection and maintenance costs than most facilities and a greater than average rate of depletion and obsolescence. What I have had to say about projected construction is contingent, to a considerable extent, upon Governmental recognition of this inadequacy.

Chemical Price Level

Without fair pricing there could be no profits, no dividends and no capital expansion. For several years now, the increase in the chemical wholesale price index has been less than 1% per year, while prices for all products except farm products have advanced 7%. For 1956, chemical prices are expected to average only 7% above the 1947-49 base, while the "all other than farm and food" category may run 22% above. We expect chemical prices to hold pretty much the present line into 1957. Characteristically, any chemical price changes that may occur will be slight and trail those of most other manufacturing industries.

Those of us who work within the chemical industry will agree that the primary reason for the industry's growth year after year has been its aggressive research and development program. Our industry is basic in that it supplies products to every other important U. S. industry. Further, it is constantly generating new products, processes, and even allied industries.

Synthetic Rubber and Plastics Growth

An example of the latter is the huge synthetic rubber industry, developed for the Government initially by private enterprise and recently purchased by private manufacturers for an amount equal to 96.6% of the taxpayers' unrecovered investment. This new and extremely competitive industry has had its capacity boosted sharply since it has been in private hands.

The plastics industry today has one of the fastest growth rates extant, as evidenced by the myriad of new plastic products appearing on the market from day to day. Among the new items, the chemical industry believes there is a big opportunity for expanded use of plastics as another class of engineering materials in the building industry. In cooperation with the fabricators and regulatory officials, we have recommended changes in existing building codes to allow for equitable and reasonable use of plastics in accordance with suitable performance and safety standards. The magnitude of the building industry, which I understand is estimated at $46 billion per year, certainly indicates that possibilities for new and economical construction materials are almost unlimited.

Another important growth factor should be mentioned at this time. Our U. S. population is expanding at a rate of about 2.7 million people per year and our longevity rate is lengthening. This increased population must subsist on a limited acreage of arable land; 95% of such land is already under cultivation. Obviously in years ahead the farmer will utilize much more than the present 20 million tons of fertilizer and one-half million tons of pesticidal chemicals to feed this growing population. Scientific research will be even more vigorously applied to rid our crops of more than 7,000 kinds of insects and 6,000 types of plant diseases.

The intelligent spending of at least 400 million chemical research dollars each year by private industry results in the development of countless market possibilities, many of which are "duds," mixed in with perhaps a hundred or so products which have practical potentialities. These hundred-odd products each year have accounted largely for the difference in growth rate between the chemical industry and other industries. It is significant that new chemicals introduced since 1939 accounted for 20% of the Federal Reserve Board's chemical production index in 1953. One chemical company has reported that about 27% of its 1955 sales resulted from new products developed during the past 10 years. Constantly increasing research budgets year after year provide the assurance that chemicals will continue into the future as a growth industry.

I could mention other growth contributing factors if time permitted, as well as serious problems which we, in the Manufacturing Chemists' Association, are attempting to meet in behalf of the chemical industry and the public at large.

*An address by Mr. Crass before the 3rd Annual Year-End Business Forecast Conference, Chamber of Commerce of the U. S., Washington, D. C.

With Central Republic

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Edwin M. Chapline has become connected with Central Republic Company.

L. W. Simons Opens Own Investment Office

(Special to THE FINANCIAL CHRONICLE)

SHAKER HEIGHTS, Ohio — Lawrence W. Simon is engaging in a securities business from offices at 16301 Shaker Boulevard. Mr. Simon was formerly Executive Vice-President of Ross, Borton & Simon, Inc. and prior thereto conducted his own investment business in Cleveland. In the past he was an officer of Blair & Co. Incorporated.

Joins Powell & Co.

(Special to THE FINANCIAL CHRONICLE)

FAYETTEVILLE, N. C.—James W. Smoot, Jr. has become associated with Powell & Co., 120 Anderson Street. He was formerly with McDaniel Lewis & Co.

From Washington Ahead of the News

By CARLISLE BARGERON

It is not at all unlikely that the public power lobby will make progress at this session of Congress, not only in the matter of more Federal construction of hydroelectric projects but in the lobby's fight to have the Federal Government build a series of atomic power plants. Chairman Strauss of the Atomic Energy Commission has made a valiant fight against this latter but there are indications that he is being beaten down.


Carlisle Bargeron

On the question of hydroelectric plants the Administration has only recently reavowed its partnership policy but the indications are, nevertheless, that it is going to recommend two or three new projects in the West, to be built solely by the Federal Government. Defeat of Republican, senatorial candidates in Washington, Oregon, Colorado and Idaho, made an impression on White House strategists and, although it is doubtful that the issue of public or private power entered into any one of them, the much touted partnership policy has been considerably weakened.

The fight of the public power group to establish a Federal Government monopoly over the development of atomic energy gives the private utility industry even more worry. They succeeded with Strauss' help in killing at the last session the Gore bill which would have given the Government this monopoly. The fight is to be renewed at this session and Strauss is seeking to work out a compromise.

The public power proponents have on their side of the argument the fact that little progress toward atomic power development has been made by private industry. There are all sorts of ambitious projects in the blueprint stage but, except out in Michigan where a private group seems sincerely to want to get underway but is being held up by the opposition of labor leaders who contend, not without reason, that the project would endanger the community, and near Pittsburgh where the Duquesne Light Co. will have a full scale pilot plant in operation by mid-year, private industry has been moving most warily.

Chairman Strauss has publicly expressed his disappointment several times over the slowness of development by private industry. Indeed, it seems apparent that if the country is going to have an array of atomic energy plants in the near future, the Government will have to build them.

This does not mean, however, that there has been any lagging in atomic technology. This country is far in the lead in this respect. The question is, though, why with a superabundance of cheaper fossil energy, oil and coal, we should plunge into the construction of atomic powered plants. What would be the accomplishment except that we would be keeping up with the Joneses. The public power group constantly rails about England's building an atomic plant, about Japan's intention to do so, about progress in other countries, and say we are being left behind.

The fact is, however, that it has been realized from the first that atomic power for electricity would be of far more benefit to other countries with less energy from other sources than to us. It will be many years before atomic energy will be competitive with the coal, oil and waterpower we have in this country.

It isn't the need for atomic energy or the possibility of cheaper power that motivates the public power group. They see the opportunity of having the Federal Government dominate the power industry. This is what the fight is about.

The opposition which organized labor is making to the Michigan project should give the public power zealots and even the rest of us pause. It is freely admitted that if anything should go wrong with the Duquesne plant and radioactive material escape into a nearby river, it would involve a national catastrophe. In fact, no private group that I am aware of has ever yet worked out a method of insurance against such disasters.

But development of atomic power in electric plants has become deeply involved in politics, and it will be surprising if we escape with our heads and limbs.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York has just completed preliminary plans for its 21st Annual Dinner and Reception to be held at the Waldorf-Astoria Hotel on Friday evening, April 26, 1957.

Nathan A. Krumholz of Siegel & Co., President of STANY, has named Arnold J. Wechsler of Ogden, Wechsler & Co., as Chairman of the Arrangements Committee, with Raymond C. Forbest of Shearson, Hammill & Co., as Vice-Chairman in charge of Hotel Reservations, and Frank J. Orlando of Goodbody & Co., as Vice-Chairman in charge of Ticket Reservations.

Attendance at this year's Dinner and Reception is expected to top the 1,800 mark.

CORRECTION

J. P. Kiley, President of the Chicago, Milwaukee, St. Paul and Pacific Railroad Company calls our attention to an error in the article which appeared in the "Chronicle" of Dec. 20, entitled "Railroad Discount Bonds" and authored by Helen A. Cameron, Research Assistant of the Department of Economics of Ohio State University. Mr. Kiley writes that Miss Cameron in discussing the status of Milwaukee Road general mortgage income 4½s of 2044, was in error in stating that 50.2% of the road's common stock is owned by the Canadian Pacific. Actually, Mr. Kiley adds, it is the common stock of the Minneapolis, St. Paul and Sault Ste. Marie that is more than 50% owned by the Canadian Pacific.—Editor.

Will Cloney Named By Keystone Company

BOSTON, Mass.—Will Cloney, veteran Boston newspaperman, has been named assistant to the president of the Keystone Company of Boston, principal underwriter of the Keystone Funds with combined net assets of more than $300 million.

In announcing the appointment, President S. L. Sholley said Cloney will direct the national public relations program of the Keystone organization, which encompasses 12 regional representatives and more than 1,200 dealers throughout the country.

Cloney was in the Boston newspaper field for the past 26 years and for the last three years was sports editor of the Boston Post. In addition, he was an Associate Professor of Journalism at Northeastern University, where he directed the University Press Bureau for 17 years, and during World War II he was a lieutenant colonel in charge of public relations for the First Service Command.

Appointments by Cantor, Fitzgerald

BEVERLY HILLS, Calif.—Promotions for two members of Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive, have been announced by B. Gerald Cantor, President.

Raised to the post of assistant vice-president is Lionel Bell, a graduate of UCLA with a B.S. degree in Business Administration. Alis Berin, who recently joined the company after extensive financial experience in New York, has been named assistant secretary-treasurer. She is the first woman to become an officer of the company.

Kirkpatrick-Pettis & Buffett-Falk Merge

OMAHA, Neb.—Effective Jan. 2 the investment firms of Kirkpatrick-Pettis Company and Buffett-Falk and Company combined their personnel and operations and will conduct their business under the name of Kirkpatrick-Pettis Company. Offices are located in the Omaha National Bank Building, Omaha, and in the First National Bank Building, Lincoln.

Sincere Opens Branch

LAKE WALES, Fla.—Sincere & Company has opened a branch office in the Walesbilt Hotel under the management of Francis C. Buchanan. Mr. Buchanan was formerly local manager for Jones, Kreeger & Hewitt.

Real Estate Securities Outlook in the New Year

By H. R. AMOTT

President, Amott, Baker & Co., Inc.

Mr. Amott perceives "little cause for concern over the future outlook for real estate," expects high levels of business and industrial activity to continue climbing, expresses satisfaction with hotel field's performance during 1956, and states the "outlook in New York for business and industrial property is especially encouraging notwithstanding the stringency of the mortgage market." Awaits clarification of world affairs and monetary policies in order to venture a longer term view.

A year ago, in my annual review of the real estate securities market, I concluded my remarks with the following "crystal ball" observation of the future: "While buying 'bargains' in the market may not be as simple as in the past, I believe it safe to predict that the next few years will see a further building up of the operations of the larger companies and a further growth in earnings and equity values that may well be as impressive as any of the gains witnessed in recent years. There is no need for skepticism at this time."

Harry R. Amott

Real Estate Stock and Bond Gains

Notwithstanding the fact that since December, 1955, our major securities markets were seriously affected by international complications and the tight money policies of the Federal Reserve Board, holders of real estate securities have, all circumstances considered, fared well during the past year. It appears now that the Amott, Baker Real Estate Bond and Stock Averages will record gains for the year of approximately 5% in the bond index and 12% in the stock index. This means that both indices will close the year at their highest average level since these "Averages" were first initiated by our firm some 23 years ago.

Although the present world situation leaves much to be desired, the earlier tensions which developed during the late summer and fall on the international scene appear to have abated and the probabilities are that the Middle East and European troubles will be solved short of war.

National Economy's Picture

On the promising side are the present high levels of business and industrial activity with government and consumer spending still climbing. Leading industrialists and economists are casting unusually optimistic eyes toward the business picture for 1957 despite the strongest credit restraints in recent years. Business capital expenditures are expected to surpass their record 1956 high by at least 10%. Government spending will rise appreciably at all levels: local, state and Federal. Consumer expenditures, regardless of tighter credit controls, should move upward 4 to 5% or some $10 billion above the 1956 level.

Here in New York, the outlook for business and industrial property is especially encouraging notwithstanding the stringency of the mortgage market. In most of the other major business sectors of the country, the situation is much the same.

New York City's Prospects

One area of the New York real estate market that has been given a tremendous lift is its famed financial district. Directly behind and to the north of the towering 40 Wall Street Building (a publicly owned structure), the Chase Manhattan Bank will soon begin construction of its downtown Rockefeller Center covering two full city blocks. This project, to cost in excess of $110 million, will feature a 60-story building—the largest in the city—with approximately 1,800,000 sq. ft. of rentable space initially. On Wall Street at the corner of William, Atlantic Mutual Insurance and U. S. Trust have announced plans to erect a 26-story structure. On Broad Street, adjacent to the New York Stock Exchange, a new 27-story office building — fully rented months before completion — will open in January. Another important new structure is being planned on the site of the old Produce Exchange and considerable remodeling of older buildings is going forward at a rapid pace. The Guaranty Trust Company, for example, has acquired all of the property on the square block surrounding its main office and an extensive remodeling job is now in process. Guaranty Trust's Nassau Street frontage will face directly on the new Chase Manhattan property. Perhaps the most important of the publicly-owned buildings to benefit directly from this new construction and prestige of location will be the 40 Wall Street Building. Evidence of this may be found by the substantial purchases during 1956 of the Corporation's stock by interests identified with William Zeckendorf, President of Webb & Knapp, who now own approximately 43% or more of the outstanding issue. The market value of the 40 Wall Street stock has risen from 18¾ to approximately 29 in the past 12 months.

Uptown New York

In uptown New York, the situation is equally promising with Park Avenue's famed residential district from 46th to 59th Streets rapidly developing into one of the choicest business areas as one apartment building after another is replaced with a new office building. In the Grand Central area, the new Socony Mobil Building has added a great deal of prestige and value to its surrounding real estate as reflected by the rising prices and increased investor interest and demand for the securities of the publicly owned Chanin Building.

The major real estate companies, such as General Realty & Utilities Corp., City Investing Company, Webb & Knapp and Tishman Realty have all made important gains during 1956. Each of these companies is continuing to develop broad plans for the future.

In the hotel field, the volume of business kept pace with the general trend of the nation's economy during 1956 with new sales and earnings records registered by such leading hotel chains as Hilton, Sheraton, Knott and Hotel Corp. of America. Operators of leading individual hotel properties such as the Commodore and Savoy-Plaza in New York also rang up new sales and earnings records for the past year. Stockholders of the Savoy-Plaza will vote, probably in January, on a proposal to merge their company into the Hilton Hotels Corporation.

Long Run View Not Clear

It is my opinion that as long as the nation's economy continues in its present robust condition there is little cause for concern over the future outlook for real estate. As I view the situation at this time, real estate values and security prices should continue their upward climb during at least the first half of 1957. The longer term view, while still encouraging, must await further clarification of our monetary policies and the existing complexities in world affairs.

Wabash Equipment Trust Ctfs. Offered

Halsey, Stuart & Co., Inc. and associates are offering today (Jan. 10) $3,780,000 of Wabash Railroad 4% equipment trust certificates, series H, maturing annually Jan. 15, 1958 to 1972, inclusive.

The certificates, first installment of an issue aggregating $10,395,000, are scaled to yield from 4% to 4.15%, according to maturity. Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The entire issue of certificates is to be secured by 1,300 all-steel boxcars and 100 all-steel gondola cars, estimated to cost $13,045,374.

Associates in the offering are: Baxter & Co.; Freeman & Co.; Wm. E. Pollock & Co., Inc.; Shearson, Hammill & Co., and McMaster Hutchinson & Co.

With E. E. Henkle

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb. — Raymond S. Johnson is with E. E. Henkle Investment Co., Federal Securities Building.

Dietenhofer & Heartfield

(Special to THE FINANCIAL CHRONICLE)

SOUTHERN PINES, N. C.—Leon A. DesPland, Jr. has become connected with Dietenhofer and Heartfield, 670 Southwest Broad Street.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks continued their desultory showing this week after starting the new year on a ragged note. In the general seesawing, the steels finally reached at least a temporary end to their persistent strength of recent weeks while the aluminums and coppers, which had had steady liquidation to contend with, were newcomers to the side of occasional strength.

Split News See-Saw

Some occasional features were offered by the rumor mills which, like the market, weren't faring too well in the new year. None was more wild than International Nickel which soared to a peak on a multi-point gain on tales of a stock split of a 4- or 5-to-1 size. The directors reported after their meeting that they hadn't even discussed the subject and the stock backed up abruptly.

* * *

American Telephone, largely on its proposed work in the atomic energy field, was among the better-acting stocks so far and its gain of a half dozen points in a week was in distinct contrast with its normally pedestrian habits. There is also some suspicion around that the ragged over-all market has made the better-than-5% yield on the famous $9 dividend somewhat more attractive now that capital gains elsewhere are proving rather difficult to achieve.

Interesting Domestic Oil

Some of the domestic oils were still favored rather widely, including even those temporarily depressed by the Suez problems. Socony Mobil, for one, was felt to be well depressed both because of the Middle East problems plus the fact that financing already announced for early this year has also been a depressing influence. Its 1956 earnings are expected to show a slight decline, but, as several commentators pointed out, even on the basis of its results in this hemisphere alone, it is not out of line at present market prices. This virtually throws in its Middle East operations at a bargain price.

* * *

Socony has been making giant strides in finding reserves both in Venezuela and in Canada. Its production in Venezuela has tripled in half a dozen years while Canadian production jumped from virtually nothing to a multi-million barrel per year status. With the stock down a dozen points from its 1956 high as the result of the weight on the stock, the yield has moved to approximately 4.7% which ranks well with the returns offered by the other oil giants.

Truck Manufacturer Outstanding

Auto shares have spent little time in the limelight despite indications that the new car year is off to a good start. White Motors, however, is a bright spot where the passenger car makers have lost their appeal at least for a bit. White's sales last year hit a record peak and earnings are expected to show a jump of around 15%, also a record. Projections are for a continued increase in earnings this year with the management already committed to some sort of dividend liberality if the projection works out.

* * *

National Malleable & Steel is one issue where the possibility of sharp earnings gains this year seem assured. The company's principal line is for railroad equipment and its work for the auto makers is less important profitwise. Despite the auto slump of last year, the company's results were more than double those of 1955.

Reviving Coal

Another field that seems assured of good gains in sales and profits over last year is the coal industry. Last year the downtrend in coal output was finally reversed and industry predictions call for further gains in coal sales this year. In this field, United Electric Coal was able to stand out by doubling both its pretax profit margin as well as its net income margin, largely because it is an important factor in the low cost strip mining branch of the business. Earnings more than doubled in the 1956 fiscal year and a comfortable increase is anticipated for the current fiscal year.

* * *

For the auto parts makers, better results this year are virtually assured, particularly since some of the parts makers have been pushing diversification energetically and, as in the case of Borg-Warner, have been able to trim auto business to only 38% of total sales. This contrasts with the 73% reliance by Kelsey Hayes on automotive customers for its sales, and even this company is starting to diversify via the aircraft field with the promise of an eventual boost to earning power.

Utilities a Haven

Public utility issues were also able to do a bit better in uncertain markets, their comfortable 5% or better yields offering a good haven until it becomes more clear whether the bulls or the bears will gain the upper hand in the general market. The utility issues generally have been on the depressed side because of the heavy volume of financing expected this year from this field, leading to some of the better returns around from defensive issues. Southern Co., which is expected to show a gain of around 15% in 1956 results, is a candidate for a dividend increase this year.

School-Aid Beneficiaries

There was some attention being paid to the so-called "school" issues — American Seating and Brunswick Balke. The speculation involved here is around the chances of a school-aid bill getting through Congress this year. After the proposal ran into a mire of red tape last year these issues fell from sight for the most. In fact, American Seating in more than a year has yet to carve out a 10-point range. Brunswick Balke, on prospects not connected with the school-aid situation, has been

Continued on page 36

Optimism Revives in Britain

By PAUL EINZIG

President Eisenhower's firmer line is seen responsible for recent subdued recovery staged by British oil shares. This and news of provisions for Sterling aid, according to Dr. Einzig, has helped restore a "sense of proportion" and a feeling of optimism to combat gloomy views about Britain's economic future. Believes British loss of oil investments would result in a perennial balance of payments deficit causing, in turn, isolationism and neutralism to rise, leaving international defense entirely to the U. S. A.

LONDON, England—The London Stock Exchange opened the New Year with a fairly firm tone. Although things are far from boom-like, most markets registered appreciable recoveries. Sterling, too, was distinctly harder. The announcement that the outflow of gold came to an end on Dec. 11, when the conclusion of the arrangement with the International Monetary Fund for the provision of dollar facilities was announced, went a long way towards reinforcing the feeling of optimism which usually prevails at the beginning of each year. There was indeed much room for the improvement of the morale in Britain. The failure of the Suez intervention to achieve its ends, and the high economic cost of the stoppage of traffic through the Canal, gave rise to a wave of pessimism throughout the country. There were widespread fears of the effects of the oil shortage on employment, of the need for draconian measures to support sterling, and of the consequences of the weakening of the authority of the Conservative Government. Above all, the anticipation of the loss of Britain's oil interests in the Middle East — whether through Russian penetration or through American penetration—gave rise to gloomy views about Britain's economic future.

Paul Einzig

Sense of Proportion Restored

The turn of the year has not brought any fundamental change in the situation, but it seems to have restored the sense of proportion of the British people. The outlook continues to give rise to much concern, but the view is gaining ground that the British economy will survive this crisis without experiencing a major disaster.

It is now confidently expected that traffic through the Suez Canal will be normal before the middle of this year. Even before that oil supplies are expected to become normal. For this reason, any business recession and unemployment resulting from the stoppage of traffic through the Canal is not now expected to continue for more than a few months. The extent of such recession and unemployment is no longer expected to be very extensive. It is likely to be confined to the relatively small number of industries more or less directly concerned.

Consequences of Permanent Oil Loss

On the other hand, fears of a permanent deterioration of Britain's economic position through the loss of British oil interests in the Middle East continue to prevail. Hence the subdued character of the recovery on the Stock Exchange and in the foreign exchange market. Taking a long view, the direct effects of the Suez crisis are expected to be overcome in a matter of months, before they can do much real damage to Britain's economy. But if Britain should lose her oil investments in the Arab countries and in Persia, it would result in a perennial deficit in the balance of payments, against which dollar facilities of the International Monetary Fund or the Import-Export Bank would be of no avail.

According to a short-sighted view, should such a situation arise the only way in which it could be met would be through really drastic cuts in defense expenditure. Complete withdrawal of British forces from the Far East and from the Mediterranean, and also from the European Continent, is now advocated from quarters which even a few months ago would have indignantly opposed any such suggestion. Isolationism and "neutralism" is gaining ground in British opinion. A small but growing school of thought takes the view that, in view of the economic difficulties — which are liable to increase considerably through the loss of British oil interests in the Middle East—Britain should confine her military effort to the defense of the British Isles and of the "loyal" Dominions, leaving responsibility for maintaining the international defense system entirely to the United States.

There is a widespread feeling in British opinion that the extent to which Britain has engaged her economic resources and manpower in her defense commitments in Europe and the East have not been appreciated in the United States or in India, although both countries stand to benefit greatly by the British defense effort. The argument runs that, since the United States appears to favor the "uncommitted" countries at Britain's expense, the obvious course for Britain is to withdraw from all NATO and SEATO commitments and to become an uncommitted country. Responsible elements in Britain do not of course share this view, since they realize the vital importance of maintaining existing alliances. They may find it increasingly difficult, however, to resist the pressure of growing neutralism if the loss of British Middle East oil interests should place the government before the alternative of a drastic reduction in the standard of living or a drastic reduction of defense expenditure.

Stock Exchange's View

The Stock Exchange takes a different view of the consequences of the loss of British Middle East oil interests, judging by the recovery staged by British oil shares. It is felt that the firmer line taken by President Eisenhower against the threat of Russian penetration is a bull point for oil equities. The difference between the loss of oil interests through Russian and American penetration is considered in financial circles to be equivalent to the difference between confiscation without compensation and acquisition against reasonable payment.

Even the latter solution would be highly unpopular, judging by the reaction of British opinion to the Trinidad Oil deal. But from a purely Stock Exchange point of view, the receipt of substantial capital amounts through an increased American participation in Middle East oil would mean a mitigation of Britain's immediate economic difficulties. And it is perhaps too much to expect the Stock Exchange to think beyond the end of the next fortnightly settlement.

Executive Program in Business Adm. to Be Given at Columbia

Two sessions of The Executive Program in Business Administration will be held at Arden House during the summer of 1957, it was announced by Hoke S. Simpson, Director of Executive Programs at Columbia University's Graduate School of Business.

The Executive Program in Business Administration is a concentrated six-week course for top management personnel, designed to strengthen each participating executive's concepts of planning and decision making; help him develop his abilities in administrative processes; and augment his understanding of economic forces, national and international, that affect business.

Now in its sixth year, The Executive Program will be held at Arden House on the Harriman Campus of Columbia University, 50 miles north of New York, the two sessions running from mid-June through July, and from mid-August through September. Arden House, built by E. H. Harriman, was given to Columbia University by W. Averell Harriman in 1950. It offers uniquely favorable facilities for advanced work and study.

The Executive Program in Business Administration focuses on three interrelated areas:

(a) The determination of business policies.

(b) Internal administration.

(c) Business management in a dynamic world.

Among the specific topics to be taken up are methods of sizing up a company situation and diagnosing the problems, the decision-making processes from the top management point of view, and the effective means of translating policies into programs. Also to be considered are characteristics of effective leadership, and the timing and strategy of implementing executive decisions.

Participation in each six-week session is limited to 55 senior-level executives. The first nine sessions held during the past five years were attended by 457 key management men from 191 organizations in 35 states and 17 foreign countries.

First Albany Corp. To Be NYSE Member

ALBANY, N. Y.—David V. McNamee, Jr., on Jan. 17 will acquire a membership in the New York Stock Exchange, and First Albany Corporation, 90 State Street, will become an Exchange member firm. Officers are Mr. McNamme, President and Treasurer; Charles W. Sims, Vice-President; and Edward J. Gibson, Secretary.

Schwabacher & Co. to Admit New Partners

SAN FRANCISCO, Calif.—Schwabacher & Co., 100 Montgomery Street, members of the New York and San Francisco Stock Exchanges, on Jan. 17 will admit Stanley E. Symons and John Davies to partnership. Mr. Davies will make his headquarters in the firm's New York City office, 14 Wall Street.

With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Thomas P. O'Sullivan is now with Harris, Upham & Co., 912 Baltimore Ave.

How Large and Small Firms Can Keep Up With Research Costs

By DR. HALDON A. LEEDY*
Director, Armour Research Foundation of Illinois Institute of Technology

Noted research director avers average firm dependent upon technological developments should spend about 5% of its sales for research to keep up with competition, and notes present average is 1%, with a range of ½% to 9%. In reviewing two decades of new industries fathered by research, involving an expenditure increase from $175 million to more than $5 billion, Dr. Leedy states no firm, large or small can afford to do without research as insurance even for a few months. Suggests small firms make use of research organizations as one of several alternatives, and believes research will contribute to unparalleled industrial leadership of our country, and to highest living standards ever achieved by man.

A few introductory remarks about the importance of technology to the health and survival of industry might provide a suitable background for my remarks.


Dr. Haldon A. Leedy

I am certain all of you are aware that we are living in a period of history where our national economy is expanding more rapidly than ever before; and, even more important, where nearly every industrial executive, economist, and analyst predicts an even more rapid expansion in the future.

In the last two decades, as all of you know, we have witnessed a phenomenal growth in our economy. Our Gross National Product has grown from $83 billion to a little over $400 billion today.

During this same 20-year period our output per man hour has increased nearly 50%. In other words, in the time each of us spends at his respective job today, he produces on the average 50% more goods or services than his counterpart 20 years ago.

*An address by Dr. Leedy before a New England Industry Conference at Worcester Polytechnic Institute, Worcester, Mass.

Why This Growth

An important question is, why is this happening in the United States? There are, of course, many reasons. Among them are our free enterprise system and the great improvement that has taken place in the art of business management.

However, most economists and analysts who have studied this problem agree that one of the most important and dynamic reasons for our economic growth is the unprecedented rise of organized research and development.

In the last two decades our annual research and development expenditures have grown from $175 million to a little over $5 billion. Even when the inflation factor is removed, this represents a 15-fold growth in research and development. It is even more startling to observe that in the last five years we have spent as many dollars for research and development as in all of our previous history.

The past 20 years has seen the introduction of many new products resulting from research. For example, if we were to glance through the newspapers and magazines of 1936, we would have seen no mention of television, jet aircraft, penicillin, transistors, power steering, titanium, magnetic recording, nuclear power, and many, many others.

In the ensuing 20 years, entire new industries have come into being. Magnetic recording, unknown in 1936, today is a $1.3 billion industry. Meanwhile, the whole electronic industry has expanded from $240 million to $6 billion during this same period.

Research Laboratory's Contribution

But, most significant to our discussion here today is the result of a recent survey which indicated that over 50% of all products currently being manufactured can be traced directly to results emanating from some research laboratory. And it would be my guess that most of the remaining items either have been improved or require less man-hours to produce as a result of research and development.

In my opinion, there is no question that an industry must use the latest technological advances applicable to that industry if it is to survive and grow in the present technological age.

The question I have been asked to discuss this morning is "how can this be done?"

I would first suggest that we take a good look at the problem.

For many years the world was dependent on the lone inventor for technological progress. It was such inventiveness that produced the electric bulb; the wireless; the automobile; the mechanical harvester, and numerous other notable developments.

Many of these early scientists, engineers, and inventors conducted their experiments on a part-time basis. Some were professors carrying on work in cloistered academic halls; others were tinkers working in basements, attics, and backyards. There were virtually no full-time researchers as we know them today.

However, with the increasing emphasis on technology in industry, there developed a growing need for a more dependable source of technological information. It was during this period of need in the latter part of the 19th Century that organized research and development came into existence in the United States and other industrial countries.

What of the Independent Inventor?

The far-reaching advances that have been made in research and development in the last two or three decades have left behind the inadequately equipped independent inventor. Scientific investigation today has become exceedingly complex, requiring in most cases a team effort that utilizes the diverse talents of scientists and engineers from many scientific disciplines.

The problems today unfortunately are often too broad for a single individual. The combined talents of several researchers contribute to a better and quicker solution.

To obtain an efficient operation, I feel that the scientist or engineer should be supplied with adequate supporting personnel and services. He should have at his disposal the necessary machine shop facilities, assistance with purchasing standard materials, assistance in accounting, a good library with a literature survey group, as well as other such non-technical services.

Complex and Costly

All of this costs money. It is estimated that the average annual cost per scientist or engineer currently is in excess of $27,000. But this is not all. In an efficiently operated research laboratory, each of these scientists must be provided with adequate research tools and suitable working quarters. In a recent survey made for the National Science Foundation it was determined that the average capital investment to provide these facilities was also about $27,000 per scientist or engineer.

I am mentioning all of this not to frighten any one away from research, but only to stress the fact that research today is a complex and costly activity.

This poses no problem for the large companies with extensive resources. But it does present a very real and serious problem for medium-sized and small companies with limited funds.

It is estimated that General Motors is spending some $250 million annually on research and development; General Electric, $120 million; Bell Telephone Laboratories, $113 million; DuPont, $66 million, and Union Carbide, $43 million.

As you can see, the research and development expenditures of many large companies are far greater than the sales of most medium-sized and small firms.

Small Firms' Solution

What then is the solution for small industries to this vital problem of keeping abreast of and utilizing the latest technological developments?

Actually, there is no single solution, for every company has a different problem. However, I would like to make a number of generalizations that are applicable not only to the industries here in New England but to industry as a whole. And I am certain that some combination of these suggestions would enable any well-operated company to keep informed and to take advantage of the latest technological developments in its field.

First of all, I would recommend that any company, regardless of size, that wants to utilize technical developments, give serious thought to setting up a research laboratory or research group of its own. For small industries this may be just a part-time operation for one man who has the necessary technical background and understanding in the company's fields of interest.

Such a man or group is necessary first of all to recognize the company's technological needs. Secondly, this man or this group is necessary to determine the best mechanism for obtaining technological information; and third, and probably most important, he is necessary to make certain that new technical developments are quickly and efficiently utilized in the company's operation.

The establishment of a laboratory is a form of insurance—insurance against obsolescence; and it is diffircult for me to see how any company can afford to go without some technical personnel in the laboratory or front office in this technological age.

Must Keep Up

Today's fast-moving industrial world makes it imperative for every company — regardless of size—to keep an eye on the results of research and development. A few months' advantage frequently can make the difference between success and failure.

The question that invariably arises is, "How much of a company's total effort should be spent on research and development?"

Setting aside for the moment the budget or dollar expenditure, I would like to consider first the question, "How many scientists or engineers can a company efficiently employ within its own organization?"

From my experience it is obvious that no company, regardless of size, can afford to have all the talent and all the equipment necessary to solve all of its technical problems. Many problems require specialized talent or equipment which a company cannot afford to have available on a continuous basis. Almost 75% of the largest industries having their own extensive research laboratories use outside research assistance.

However, it is my belief that every company should have all the scientists and engineers and all the scientific equipment which it can utilize efficiently. For the very large industries this may mean a research staff of a thousand or more people; and for the very small this may mean only a part-time operation for one technically trained man who has other non-technical duties to perform.

Spend 5% of Sales

As for the total dollars that should be spent for research and development, it is exceedingly difficult to give a generalized answer. As a percentage of sale, the average U. S. company spends about 1% for research. However, this ranges from 5 to 9% of sales in the rapidly changing technical industries, such as aircraft, electrical instruments, and scientific equipment, to less than 1.5% of sales for those industries less dependent on technical information, such as food and primary metals.

For any industry whose products or processes are rapidly changing as a result of new technological developments, an expenditure of about 5% of sales is probably necessary to keep up with competition.

For example, in a recent issue of the "Wall Street Journal" there was an excellent article entitled, "Small Business Speeds Research to Keep Pace with Big Competitors." In this article it was pointed out that a small New England company with 70 employees is bringing out two new electrical products in the next few months. Both devices were developed in the company's research department, a fully staffed laboratory with a budget of its own and a planned research program. Three years ago this company had no such facility; today the outlay for research approaches $50,000 annually or about 5% of sales.

Thus, again, let me say that as a first step any company should establish its own research laboratory and staff it with as many scientists and engineers as can be continuously and efficiently used.

But as I've stated earlier, no company can afford to have available in its own plant all of the scientific talent and equipment for the solution of all its problems. In such cases where does a company turn?

Possible Alternatives For Small Firms

There are several possible alternatives. First, many industries rely on consultants to keep them

abreast of technological developments.

There are qualified consultants in most metropolitan areas and on most college and university campuses. These trained scientists and engineers can be hired on a retainer basis, or as the need arises. They can work on specific projects, or merely help keep you informed of current developments in fields of interest.

A second possibility is to work out a cooperative research program with your suppliers of equipment and materials.

A research program with a supplier is often an inexpensive, effective method when the problem falls into the supplier's area of specialization and he is willing to cooperate.

For example, a cannery might utilize this method to procure cans to met specific needs, while an electric motor manufacturer might take advantage of the arrangement to obtain improved high voltage insulation. In such cases, the supplier frequently finances the burden of the research.

The main disadvantage of this approach is that the same information usually is made available to competitors.

A third method is the multi-company or trade association approach, with companies manufacturing similar products sharing in the cost of a joint research effort.

The Portland Cement Association, composed of many companies with restricted research budgets, is an example of an association which is conducting research in its own laboratories to the benefit of member companies.

The Structural Clay Products Research Foundation not only conducts research in its own laboratories, but also utilizes outside research organizations on specialized problems.

Chief advantage of the multi-company or trade association approach is the relatively low cost of research per company. Principal disadvantages are that a company cannot always select the projects most beneficial to its specific operations, and that the results of all research become available to all participating companies.

Independent Research Organizations

One other method remains for the medium-sized or small company—that is to make use of the independent industrial research organizations, such as Armour Research Foundation.

Although I may be biased, there is no question in my mind that the utilization of independent research agencies frequently is the best approach for outside research assistance.

If the growth of these research organizations is any indication, industry, too, feels the same way.

In 1936, only two independent, not-for-profit research institutes existed, and they performed a combined research volume of about $1 million. Today, there are nearly 50 such organizations, having a total annual volume of some $100 million.

There are many reasons why companies come to contract research organizations. The most obvious, of course, is when companies do not have their own research facilities. However, outside research assistance is being utilized by more than 40% of all companies having their own research laboratories. The most common reasons for using outside research facilities are:

(1) When the companies lack qualified men to attack the problem or when they need a variety of skills;

(2) When they are short of space or equipment;

(3) When they cannot afford or cannot justify the capital investment required for a specialized type of research;

(4) When they are seeking a new or outside approach to a problem; and

(5) When they feel that the research is of a temporary nature and that it would be inadvisable to expand their staffs.

Still Must Employ Technical Man

I would like to point out again that the use of outside research organizations does not eliminate the need for a technical man on a company's staff. It is only by having such a qualified person that a company can spot its technical problems and evaluate what is best for each job. Such a man is also necessary to maintain close contact with the project and to implement the results.

Research projects are handled in essentially the same way at the different independent research organizations. As an example, I would like to describe briefly how such programs are conducted at the organization I represent—Armour Research Foundation.

Every research project at the Foundation begins with discussions between representatives of the prospective sponsor and the Foundation. This is done to obtain a clear picture of the problem and to see if the Foundation is in a position to serve the company.

If the problem is one on which the Foundation can be of assistance, the proposed program is reviewed by a top-echelon clearance committee to determine whether the work conflicts with other Foundation projects and whether qualified scientific personnel are available for the solution of the problem. At this time each Foundation department has an opportunity to consider the problem and to offer its best talent to the solution.

Making a Sound Research Contract

After Foundation clearance is granted, the formal proposal is prepared and submitted to the prospective sponsor. This proposal includes a clear-cut statement of the problem, a suggested method of attack, the type of personnel and equipment available for the work, time and cost estimates, and possible impact of the research on the sponsor's activities.

If this proposal proves acceptable, a simple research contract is prepared by the Foundation and submitted to the company for approval. When concurrence is granted, the research is begun in accordance with the terms of the approved proposal and contract.

Periodic reports are issued and steering committee meetings are held as frequently as possible to keep the sponsor fully informed on the progress of the work. Changes in the scope of the work are made only with the approval of the sponsor.

The work on a sponsor's problem is fully summarized in a final report and often results in the development of prototype models of new or improved products, pilot plants, and even operational units.

You will note that in the entire procedure the sponsor and the Foundation work hand-in-hand to assure that the approach taken is consistent with the needs and desires of the sponsor. Indeed, the effort is a joint one, the Foundation personnel serving practically as members of the sponsor's organization.

Many examples could be cited of medium-sized and small companies which have benefited from research at Armour through just such a procedure.

In one instance, an improved clutch for an office machine was developed for less than $10,000. In another project, a new jet engine component resulted from a $20,000 research program. Still another was a new food product that was turned up for a cereal company in a $15,000 project.

Summary

In summary, in the competitive world of today, companies of all types and sizes must take advantage of technological developments if they are to prosper and grow.

Research and development facilities exist in the United States for all companies, regardless of the size of their research budgets. This situation is unique in the U. S. and is a major reason for the position of unparalleled industrial leadership of our country among the nations of the world.

Outlook for Business And the Stock Market

By DAVID W. McKNIGHT
Partner and Research Director,
G. H. Walker & Co., New York City,
Members New York Stock Exchange

In assessing probable course of business and stock market, Mr. McKnight believes that while "boom" will continue in 1957, the prospective 2-3% increment in volume of physical output will not prove much of a stimulant to over-all corporate profits or to the stock market.

The business boom should be maintained in 1957, due principally to large outlays for goods and services by governments and businesses. However, the projected rise in physical volume output of 2% to 3% for 1957 is not particularly exciting and will not provide much of a stimulant to over-all corporate profits or to the stock market. As to the stock market, it should continue to have the strong basic support of a high level of business activity. It will also benefit from obvious renewed inflationary trends in the economy which will attract long-term investors to stocks, or at least, influence them to hold the stocks they own. Then, too, the firm and wide-spread belief in the country's long-term growth and the opportunities for profitable stock investment under such conditions increases the attractiveness of common stocks.

David W. McKnight

Short Run Restrictive Influences

For the near future, however, there are several restrictive influences operating on the stock market. Money will most likely remain tight and new financing involving equity securities is not bullish under present conditions. With the economy on a plateau, or at least showing only average annual gains as it did in 1956, and is likely to do again in 1957, to increase corporate profits is difficult. As costs rise, profit margins are squeezed because unit volume is gaining only slightly, and competition prevents selling prices from being raised to compensate fully for higher wage and material costs.

Bonds Better Value

Another factor which is unfavorable to the stock market is the increasingly poor yield comparison which stocks make with fixed income securities. The spread between stock and bond yields is now the smallest in over two decades; bonds are relatively the better value for income.

There is a strong possibility that the 1957 stock market will duplicate the 1956 pattern of a broad trading range. Such a performance would be logical enough because it would match the over-all outlook for business and corporate profits, neither of which is expected to rise by very much. A careful selection of individual issues will again be necessary in 1957 for the present "high plateau" phase of the business cycle the earnings trend shows a wide divergence between industries. The essential test in choosing stocks for 1957 should be their prospective ability to increase their earnings, and preferably their dividends as well. For the near-term I expect the Dow industrials to remain locked in the 460-520 trading range, but I believe that the lower level of this area represents a more realistic appraisal of stock values. During the year the market might work as low as 420-430, so a cautious approach to new purchases, in general, as well as selectivity is recommended.

H. L. Wilder V.-P. of Renyx, Field & Co.

Effective Jan. 1, 1957 Henry L. Wilder, Jr., former owner of Wilder-Ramsey, Investments, 1507 M Street, N. W., Washington, D. C., assumed the Vice-Presidency of Renyx, Field & Company, Inc., 250 Park Avenue, New York City.

Renyx, Field & Company, Inc. is the principal distributor of Corporate Leaders Trust Fund Certificates and of Lexington Trust Fund shares and Lexington Venture Fund Shares.

Mr. Wilder's new association with Renyx, Field & Company will engage him in supervising the work of Renyx, Field & Company in an area covering 22 states.

Mr. Wilder, a graduate of Brown University, has a broad experience in the investment field. He was formerly associated with Investor's Syndicate and later with King, Merritt & Company prior to his establishing the Wilder-Ramsey organization.

Joins Hutton Staff

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—John J. Buterin has joined the staff of E. F. Hutton & Company, 111 West 10th Street. He was formerly with Dewey, King & Johnson.

A. E. Weltner Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Charles R. Seaman has become affiliated with A. E. Weltner & Co., Inc., 21 West Tenth Street.

With Goodbody Staff

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—James S. Lutz is now affiliated with Goodbody & Co., 217 South Church St.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

City Bank Farmers Trust Company of New York, announced on Jan. 3 the appointment of Richard S. Perkins as Chairman of the Board and Chief Executive Officer and Eban W. Pyne as President. The action took place at the Jan. 2 meeting of the board. Mr. Perkins was formerly President, and Mr. Pyne was Executive Vice-President. Howard C. Sheperd, who has served in the dual capacity of Chairman of the Board of **The First National City Bank of New York** and the affiliated **City Bank Farmers Trust Company** will relinquish his duty as Chairman of the trust company. He will continue to serve as a trust company director and as Chairman of First National City's board. At the same time the trust company announced the retirement of Lindsay Bradford, Vice-Chairman of the Board, whose 30 years of service included the period from 1936 to 1951 as President. Mr. Bradford serves as director and trustee of many companies and philanthropic and educational activities. As Chairman of the trust company board, Mr. Perkins will continue to serve as Vice-Chairman of the board of **First National City.** The various concerns of which he is a director include the Commerce and Industry Association of New York and the Economic Club of New York and a director and member of the finance committee of New York Life Insurance Co. and Columbia Insurance Co., etc.

CITY BANK FARMERS TRUST CO., N. Y.

	Dec. 31, '56	Sept. 30, '56
	$	$
Total resources	161,205,180	140,378,309
Deposits	120,591,249	100,902,634
Cash and due from banks	47,833,974	25,772,841
U. S. Govt. security holdings	79,956,577	82,582,890
Loans & discounts	2,482,497	1,872,387
Undivided profits	12,801,777	12,942,744

* * *

William F. Butler has been appointed a Vice-President of the **Chase Manhattan Bank of New York,** it was announced on Jan. 2 by George Champion, President. Mr. Butler joined the bank staff in 1951 and since 1952 has been a Consulting Economist, editing Chase Manhattan's quarterly publications "Business in Brief" and "Latin-American Business Highlights." For two years he was an economics instructor at the University of Virginia while studying for his Ph. D. in economics which he received in 1942. He was principal economist of the War Production Board from 1942 to 1945, and senior economist of the McGraw-Hill Company from 1945 to 1951. Mr. Butler is President of the New York Economists Council and the author of several books on economics. He also has served on advisory boards appointed by Congress and other government agencies for consultation on national economic matters.

THE CHASE MANHATTAN BANK, N. Y.

	Dec. 31, '56	Sept. 30, '56
	$	$
Total resources	7,756,947,318	7,348,866,567
Deposits	6,927,736,057	6,492,985,131
Cash and due from banks	2,072,851,139	1,705,701,672
U. S. Govt. security holdgs.	1,073,035,283	1,188,713,781
Loans & discts.	3,831,373,438	3,554,909,831
Undivid. profits	79,614,193	84,113,299

* * *

Percy Hampton Johnston, Honorary Chairman of Board of **Chemical Corn Exchange Bank of New York,** died on Jan. 2 at St. Francis Hospital, Honolulu, at the age of 76. Mr. Johnston began a banking career as a clerk at the **Marion National Bank in Lebanon** in 1897. Ten years later, he was appointed a National Bank Examiner and became Chairman of Bank Examiners in the States south of the Ohio River and east of the Mississippi River, and later a National Bank Examiner-at-Large. In 1913, Mr. Johnston was appointed Cashier at the **Citizens National Bank in Louisville** where he became Vice-President in 1916. In 1917, he was called to New York City to become Senior Vice-President of **Chemical National Bank** (now Chemical Corn Exchange Bank). Three years later in 1920, he was elected President. In 1935, Mr. Johnston became Chairman of the bank's board of directors, serving in this capacity as Chief Executive Officer until 1946 when he was elected Chairman of the Executive Committee. In January, 1956, he was made Honorary Chairman of the Board.

CHEMICAL CORN EXCHANGE BANK OF NEW YORK

	Dec. 31, '56	Sept. 30, '56
	$	$
Total resources	3,069,835,285	2,938,522,143
Deposits	2,759,771,057	2,627,186,607
Cash and due from banks	748,721,867	676,799,839
U. S. Govt. security holdgs.	462,379,450	437,538,573
Loans & discts.	1,482,564,788	1,460,309,883
Undivid. profits	31,025,851	28,993,350

* * *

The appointments of Benjamin Ginsburg and Charles V. Rosicky as Assistant Vice-Presidents of **Manufacturers Trust Company of New York,** were announced by Horace C. Flanigan, Chairman of the Board on Jan. 7. Mr. Ginsburg joined Manufacturers Trust Company in 1928. He was appointed an Assistant Secretary in 1946. At present, he is assigned to the bank's securities department, 55 Broad Street. Mr. Rosicky joined Manufacturers Trust Company in 1931 when the bank acquired the assets of the **Bank of Europe Trust Company.** He was appointed an Assistant Manager in 1946 and an Assistant Secretary in 1950. He is assigned to the bank's specialized loan department, 177 Montague Street, Brooklyn.

MANUFACTURERS TRUST COMPANY NEW YORK

	Dec. 31, '56	Sept. 30, '56
	$	$
Total resources	3,137,030,771	3,028,362,355
Deposits	2,845,221,115	2,744,596,789
Cash and due from banks	898,913,039	821,270,741
U. S. Govt. security holdgs.	697,433,284	702,998,345
Loans & discts.	1,164,754,950	1,116,877,836
Undivid. profits	56,263,500	53,795,059

* * *

William Chapman Potter, 82 years of age, who in the course of a 45-year banking career served as President, director, and Chairman of the Board of **Guaranty Trust Company of New York,** died on Jan. 2 at his Albany, Georgia, farm, Blue Springs Plantation. He had relinquished most of his active business connections in recent years and had resigned from the Guaranty board of directors effective Jan. 18, 1956, but continued in an honorary and advisory capacity with the designation of Director Emeritus. Mr. Potter became Chairman of the Board of **Guaranty Trust Company** of New York on Jan. 5, 1921, to succeed Alexander J. Hemphill, who died on Dec. 29, 1920. He was elected President of the company on Oct. 5, 1921, and held that office until Jan. 17, 1934, when he was re-elected Chairman to succeed the late Charles H. Sabin. Mr. Potter was elected Chairman of the Executive Committee of the Board on

Jan. 15, 1941, and when he retired from that post in 1946, he continued to serve as a director and member of the Executive Committee.

* * *

THE FIRST NATIONAL CITY BANK OF NEW YORK

	Dec. 31, '56	Sept. 30, '56
	$	$
Total resources	7,426,979,040	6,968,361,347
Deposits	6,672,390,362	6,226,088,377
Cash and due from banks	1,861,534,344	1,574,994,524
U. S. Govt. security holdgs.	1,184,240,523	1,126,859,585
Loans & discts.	3,708,099,539	3,536,116,058
Undivid. profits	69,381,186	66,115,706

* * *

BANKERS TRUST COMPANY OF NEW YORK

	Dec. 31, '56	Sept. 30, '56
	$	$
Total resources	2,820,864,484	2,607,793,830
Deposits	2,484,079,904	2,281,960,480
Cash and due from banks	805,071,721	626,345,474
U. S. Govt. security holdgs.	421,619,195	373,592,868
Loans & discts.	1,469,234,944	1,484,402,467
Undivid. profits	52,519,334	51,166,931

* * *

THE HANOVER BANK, NEW YORK

	Dec. 31, '56	Sept. 30, '56
	$	$
Total resources	1,859,364,034	1,851,854,209
Deposits	1,653,975,284	1,646,397,643
Cash and due from banks	516,514,858	570,141,173
U. S. Govt. security holdgs.	315,625,158	240,608,229
Loans & discts.	911,313,367	904,270,546
Undivid. profits	22,617,196	20,042,284

* * *

IRVING TRUST COMPANY, NEW YORK

	Dec. 31, '56	Sept. 30, '56
	$	$
Total resources	1,729,971,740	1,643,450,655
Deposits	1,539,170,385	1,429,306,849
Cash and due from banks	425,457,465	371,948,991
U. S. Govt. security holdgs.	398,370,511	329,467,259
Loans & discts.	784,944,420	816,349,261
Undivid. profits	22,630,575	23,967,636

* * *

J. P. MORGAN & CO. INCORPORATED, NEW YORK

	Dec. 31, '56	Sept. 30, '56
	$	$
Total resources	854,614,967	868,033,674
Deposits	745,566,397	762,595,006
Cash and due from banks	211,684,375	215,988,290
U. S. Govt. security holdings	179,738,532	172,510,447
Loans & discounts	390,961,831	380,805,583
Undivided profits	17,832,862	17,458,993

* * *

THE NEW YORK TRUST CO., NEW YORK

	Dec. 31, '56	Sept. 30, '56
	$	$
Total resources	835,171,185	771,324,806
Deposits	733,186,326	674,106,259
Cash and due from banks	218,444,023	169,191,579
U. S. Govt. security holdings	171,480,416	150,159,606
Loans & discounts	405,927,296	411,452,896
Undivided profits	8,973,905	9,809,815

REPORT OF CONDITION OF

THE CORPORATION TRUST COMPANY

of 120 Broadway, New York, New York, at the close of business on December 31, 1956, published in accordance with a call made by the Superintendent of Banks pursuant to the provisions of the Banking Law of the State of New York.

ASSETS

Cash, balances with other banks and trust companies, including reserve balances, and cash items in process of collection		$1,719,001.75
United States Government obligations, direct and guaranteed		431,278.60
Corporate stocks		60,000.00
Furniture and fixtures		400,972.76
Other assets		813,348.78
TOTAL ASSETS		$3,424,601.89

LIABILITIES

Demand deposits of individuals, partnerships, and corporations		$321,348.82
TOTAL DEPOSITS	$321,348.82	
Other liabilities		1,861,906.18
TOTAL LIABILITIES		$2,183,255.00

CAPITAL ACCOUNTS

Capital †	500,000.00
Surplus fund	325,000.00
Undivided profits	416,346.89
TOTAL CAPITAL ACCOUNTS	$1,241,346.89
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	$3,424,601.89

†This bank's capital consists of common stock with total par value of $500,000.00.

I, CHARLES J. SKINNER, Treasurer of the above-named institution, hereby certify that the above statement is true to the best of my knowledge and belief.

CHARLES J. SKINNER

Correct—Attest:

GEORGE F. LePAGE
RALPH CREWS } Directors
OAKLEIGH L. THORNE

THE BANK OF NEW YORK

	Dec. 31, '56	Sept. 30, '56
	$	$
Total resources	610,905,051	498,679,549
Deposits	546,612,949	435,105,440
Cash and due from banks	187,828,755	133,149,787
U. S. Govt. security holdings	134,849,592	84,449,922
Loans & discounts	255,400,283	245,236,246
Undivided profits	8,383,445	7,778,681

* * *

THE MARINE MIDLAND TRUST CO., NEW YORK

	Dec. 31, '56	Sept. 30, '56
	$	$
Total resources	601,708,874	533,889,040
Deposits	538,999,157	469,600,390
Cash and due from banks	193,215,940	142,891,737
U. S. Govt. security holdings	101,366,892	86,717,947
Loans & discounts	280,281,459	274,902,554
Undivided profits	9,387,254	9,204,689

* * *

BROWN BROTHERS HARRIMAN & CO., NEW YORK

	Dec. 31, '56	Sept. 30, '56
	$	$
Total resources	253,989,679	216,137,143
Deposits	220,358,263	182,305,136
Cash and due from banks	72,205,005	39,789,914
U. S. Govt. security holdings	43,857,949	42,138,524
Loans & discounts	75,701,136	73,015,773
Capital and surplus	14,565,284	14,545,284

* * *

GUARANTY TRUST COMPANY OF NEW YORK

	Dec. 31, '56	Sept. 30, '56
	$	$
Total resources	3,054,658,959	2,890,941,757
Deposits	2,542,690,186	2,390,638,225
Cash and due from banks	592,861,934	659,523,982
U. S. Govt. security holdgs.	688,044,650	551,462,963
Loans & discts.	1,573,333,375	1,489,546,637
Undivid. profits	107,269,602	113,295,015

* * *

GRACE NATIONAL BANK OF NEW YORK

	Dec. 31, '56	Sept. 30, '56
	$	$
Total resources	187,331,808	177,933,600
Deposits	173,330,522	155,203,782
Cash and due from banks	54,658,958	47,455,782
U. S. Govt. security holdings	47,011,263	46,027,400
Loans & discounts	72,729,653	68,524,046
Undivided profits	1,222,932	2,124,906

* * *

THE STERLING NATIONAL BANK & TRUST COMPANY OF NEW YORK

	Dec. 31, '56	Sept. 30, '56
	$	$
Total resources	156,127,457	145,240,799
Deposits	142,808,479	132,354,980
Cash and due from banks	39,945,758	28,315,326
U. S. Govt. security holdings	36,035,473	32,736,853
Loans & discounts	74,805,372	80,896,956
Undivided profits	1,507,858	1,756,383

* * *

J. HENRY SCHRODER BANKING CORPORATION, NEW YORK

	Dec. 31, '56	Sept. 30, '56
	$	$
Total resources	131,745,306	127,760,461
Deposits	98,025,248	91,668,324
Cash and due from banks	15,093,329	16,194,626
U. S. Govt. security holdings	61,049,558	57,194,379
Loans & discounts	29,103,498	26,234,179
Surplus & undivided profits	5,250,000	5,025,000

* * *

COMMERCIAL STATE BANK AND TRUST COMPANY, NEW YORK

	Dec. 31, '56	Sept. 30, '56
	$	$
Total resources	106,616,022	103,345,490
Deposits	96,651,087	92,607,061
Cash and due from banks	22,549,715	18,525,742
U. S. Govt. security holdings	24,483,908	24,826,966
Loans & discounts	56,549,358	56,507,082
Surplus & undivided profits	1,661,243	1,915,109

* * *

FEDERATION BANK AND TRUST COMPANY, NEW YORK

	Dec. 31, '56	Sept. 30, '56
	$	$
Total resources	102,595,509	104,646,230
Deposits	93,565,040	89,048,335
Cash and due from banks	17,134,059	17,041,767
U. S. Govt. security holdings	27,625,016	27,626,315
Loans & discounts	46,511,687	49,477,476
Undivided profits	874,813	789,987

* * *

SCHRODER TRUST COMPANY, NEW YORK

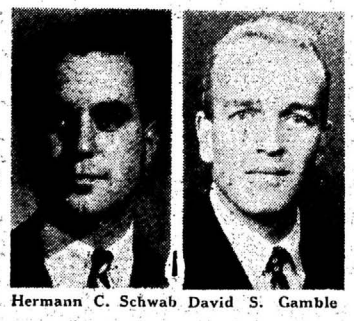
	Dec. 31, '56	Sept. 30, '56
	$	$
Total resources	68,477,278	63,219,100
Deposits	61,230,535	55,918,702
Cash and due from banks	14,855,224	10,412,597
U. S. Govt. security holdings	37,614,029	24,106,184
Loans & discounts	14,760,942	17,763,073
Surplus & undivided profits	2,700,000	2,625,000

* * *

CLINTON TRUST COMPANY, NEW YORK

	Dec. 31, '56	Sept. 28, 1956
Total resources	$36,876,277	$35,369,786
Deposits	33,877,004	32,386,677
Cash and due from banks	9,495,295	8,763,821
U. S. Govt. security holdings	9,512,354	10,116,883
Loans & discounts	14,665,560	13,238,266
Surplus & undivided profits	1,316,925	1,298,382

Hermann C. Schwab and David S. Gamble have been elected Vice-Presidents of the **Empire Trust Company of New York**, it was



Hermann C. Schwab David S. Gamble

announced on Jan. 4 by Henry C. Brunie, President of the bank. Mr. Schwab will be associated with the investment department and will be primarily concerned with investment management accounts while Mr. Gamble will be engaged in business development. Most recently, Mr. Schwab was a partner in the investment banking and brokerage firm of Dick & Merle-Smith. From 1941 to early 1956, he was associated with the **Hanover Bank**, where he was appointed Assistant Secretary in 1949 and an Assistant Vice-President in 1952. Prior to joining the Empire, Mr. Gamble was a Vice-President of Cheney Brothers, Inc., textile manufacturers, and before that President of Gamble-Desmond Co., a department store in New Haven, Conn.

* * *

The East River Savings Bank of New York has passed the $500 million mark in assets, George O. Nodyne, President, announced this week. A mutual savings bank established in 1848, the East River is now in its 109th year of service. It maintains five offices in Manhattan. Latest dividend declared by the bank is at the rate of 3% a year. Joseph A. Broderick, former Superintendent of Banks in the State of New York, is Chairman of the bank's Board of Trustees.

* * *

KINGS COUNTY TRUST COMPANY, BROOKLYN, N. Y.

	Dec. 31, '56	June 30, '56
Total resources	$73,913,941	$77,148,751
Deposits	63,643,232	67,103,997
Cash and due from banks	9,735,344	11,909,245
U. S. Govt. security holdings	17,048,791	15,785,997
Loans & discounts	21,117,342	18,073,762
Undivided profits	1,000,000	1,094,424

* * *

NATIONAL BANK OF WESTCHESTER, WHITE PLAINS, N. Y.

	Dec. 31, '56	Sept. 30, '56
	$	$
Total resources	142,913,606	140,638,368
Deposits	129,385,483	127,319,530
Cash and due from banks	16,168,155	18,575,108
U. S. Govt. security holdings	45,549,947	45,288,096
Loans & discounts	53,415,969	48,346,131
Undivided profits	1,922,190	1,629,997

* * *

RHODE ISLAND HOSPITAL TRUST COMPANY, PROVIDENCE, R. I.

	Dec. 31, '56	June 30, '56
	$	$
Total resources	315,207,220	313,443,830
Deposits	286,957,165	285,856,940
Cash and due from banks	61,246,576	49,662,967
U. S. Govt. security holdings	82,763,427	80,798,957
Loans & discounts	147,721,315	161,093,328
Undivided profits	2,844,432	5,360,802

* * *

FIRST NATIONAL BANK AND TRUST COMPANY, PATERSON, N. J.

	Dec. 31, '56	June 30, '56
	$	$
Total resources	241,401,207	235,146,909
Deposits	223,348,649	217,145,834
Cash and due from banks	40,377,107	35,615,457
U. S. Govt. security holdings	58,059,567	56,824,180
Loans & discounts	53,366,487	50,710,213
Undivided profits	3,319,073	3,266,451

* * *

Howard C. Petersen, President of the **Fidelity-Philadelphia Trust Company of Philadelphia**, announced on Dec. 28 the election of Paul D. Williams as Vice-President effective Feb. 1. Mr. Williams is a graduate of Penn State University. He began his banking career with **The Farmers & Miners Trust Company of Punxsutawney, Pa.**, and was successively a bank examiner for the Commonwealth of Pennsylvania; Auditor, Peoples Bank & Trust Co. of Erie, Pa.; Vice-President and Comptroller, Girard Trust Corn Exchange Bank of Philadelphia, and Vice-President and Comptroller of the **First Camden National Bank & Trust Co.** Mr. Williams is past National President for the National Association of Bank Auditors and Comptrollers; Chairman, Legislation and Taxation Committee of New Jersey Bankers Association, etc.

* * *

Broad Street Trust Company of Philadelphia announced on Jan. 2 the election of Wilbur H. Hamilton as a director. Mr. Hamilton was formerly a member of the House of Representatives of the Commonwealth of Pennsylvania, and is at present a member of Council of the City of Philadelphia, and a partner of the insurance firm of Boardman-Hamilton & Co.

It was also announced by the Broad Street Trust Company that Hubert J. Horan, 3rd, has been elected a Vice-President in charge of its Consumer Credit Department. Mr. Horan, a graduate of the Wharton School of Accounts and Finance of the University of Pennsylvania, had been connected for the past eight years with **Fidelity-Philadelphia Trust Company** as an Assistant Treasurer in its Consumer Credit Department.

THE PHILADELPHIA NATIONAL BANK, PHILADELPHIA, PA.

	Dec. 31, '56	June 30, '56
	$	$
Total resources	1,064,503,298	1,007,013,086
Deposits	957,064,851	888,355,227
Cash and due from banks	332,662,724	286,603,210
U. S. Govt. security holdgs.	153,279,920	148,170,012
Loans & discts.	463,243,869	458,457,898
Undivid. profits	18,749,009	16,938,316

* * *

THE FIFTH THIRD UNION TRUST COMPANY, CINCINNATI, OHIO

	Dec. 31, '56	June 30, '56
	$	$
Total resources	378,384,649	355,094,271
Deposits	346,301,583	323,437,208
Cash and due from banks	100,871,579	88,218,362
U. S. Govt. security holdings	88,644,311	87,001,504
Loans & discounts	164,582,379	154,983,026
Undivided profits	4,211,546	3,941,539

* * *

SOCIETY FOR SAVINGS IN THE CITY OF CLEVELAND, OHIO

	Dec. 31, '56	June 30, '56
	$	$
Total resources	329,029,086	340,549,466
Deposits	297,960,150	309,393,794
Cash and due from banks	18,520,307	19,367,885
U. S. Govt. security holdings	90,821,362	97,339,082
Loans & discounts	185,557,288	186,710,249

* * *

AMERICAN TRUST COMPANY, SOUTH BEND, INDIANA

	Dec. 31, '56	Dec. 31, '55
Total resources	$26,308,260	$25,495,000
Deposits	24,267,097	23,590,000
Cash and due from banks	6,341,419	5,709,000
U. S. Govt. security holdings	9,716,246	10,096,000
Loans & discounts	9,234,092	8,914,000
Undivided profits	476,645	300,000

Spahr Comments on U. S.-Canadian Dollar And Disposal of Reserve Bank Earnings

Nationalization of 90% of the earnings of the Federal Reserve banks since 1946 in violation of Congressional law, and inability to keep our dollar on a parity with gold in exchange for the Canadian dollar, are analyzed in "Monetary Notes" by Executive Vice-President of Economists' National Committee on Monetary Policy

Lack of protection provided our dollar in exchange with Canadian dollar and illegal writing down of Reserve Banks' capital accounts of little over $2 billion are two subjects depicted in Jan. 2 Monthly Newsletter of the Economists' National Committee on Monetary Policy.

Walter E. Spahr

Taking the initiative in an exchange of correspondence, Dr. Walter E. Spahr, Executive Vice-President, points out in "Monetary Notes" that he wrote to the "Foreign Department of the Federal Reserve Bank of New York, Nov. 20:

" 'Dear Sir:

" 'Could you inform me as to why gold is not shipped by the Treasury or Federal Reserve System to Canada in order to keep the U. S. dollar on a parity with the Canadian dollar?' "

"Following is the Foreign Department's reply (Mr. M. N. Trued), Nov. 26:

" 'Dear Sir:

" 'Replying to your letter of Nov. 20, 1956, the answer to your question is that the Canadian authorities are not prepared to purchase gold at a fixed price in Canadian dollars.' "

"Following are the essentials of another letter to the Foreign Department of that bank by this author, Dec. 3:

" 'Dear Mr. Trued:

" 'Is not your reply [of Nov. 26] an admission that, under our restricted international gold bullion standard and irredeemable currency, our Federal Reserve banks cannot, or at least do not, maintain the parity of our dollar to gold in so far as our exchanges with Canada are concerned?

" 'Is it not a fact that if Canada and our country were on a gold standard, the exchange rates on our dollar would be confined to the costs of importing or exporting gold?

" 'Is it not a fact that under our present monetary standard and system the people of the United States can be penalized far more in their dealings with the Canadians than would be possible under a thorough-going gold standard?

" 'Would not your reply to me have gone to the heart of the matter had it stated that under the systems of irredeemable currency which prevail in this country and Canada, our Treasury and Federal Reserve banks cannot, or do not, protect the purchasing power of our dollar in foreign exchange as would be done if the currencies were redeemable for the reason that, then, foreign exchange rates would be confined to the gold export-import points?' "

Federal Reserve Earnings Nationalized

Turning to recent recommendation by the Board of Governors of the Federal Reserve System in respect to Section 7, Dr. Spahr states that "beginning in 1947, the Board of Governors began to turn over to the U. S. Treasury 90% of the earnings of the Reserve banks despite the stipulations of the first paragraph of Section 7 which directs that these earnings, after payment of the annual dividend, 'shall be paid into the surplus fund of the Federal reserve bank.'

"The Board has incorrectly claimed repeatedly that it found authority under the provisions of Section 16 of the Federal Reserve Act to override the stipulations of Section 7 as amended in 1933. Every Reserve Board up to that of 1947 recognized that Section 16 related to an entirely different matter and that the framers of the Act did not design Section 16 as a means of nullifying Section 7.

"What the Board did, beginning in 1947, was to amend the law to suit itself. When Chairman Eccles launched the Board's violation of Sections 7 and 16 in 1947, he stated that he recognized that Section 16 did not authorize the action he proposed to, and did, take.

"Even though the so-called 'franchise tax' of Section 7 was repealed in 1933, as is correctly pointed out by the Board of Governors in its recommendations to the Senate's Study Committee, that provision has in effect been revived by the Board since 1946 without Congress taking any action in respect to this violation of law. In its *Annual Report for 1954*, the Board stated, in effect, that it was legislating for Congress. 'These allowances [to the Treasury],' said the Board, p. 54, 'are consistent with the provisions of the franchise tax [under Section 7] *when it was in effect.*' (Italic in the original.)

Fed Defies Act of Congress

"A remarkable commentary on how a Reserve bank acquiesced in this manipulation and defiance of an Act of Congress is found in a footnote in the *Annual Report of the Federal Reserve Bank of New York (1954)*, p. 56. After pointing out how it paid 90% of its earnings to the United States Treasury, as though the law repealed in 1933 had been revived, it says: 'Prior to amendment of the Federal Reserve Act in 1933, each Federal Reserve Bank was required to pay, after it had accumulated a surplus equal to its subscribed capital, a franchise tax to the Government equal to 90% of its net earnings. Since 1947, the interest charge levied by the Board of Governors on Federal Reserve notes not covered by gold certificates has had the same purpose—to require each Federal Reserve Bank to pay to the Treasury 90% of its earnings after accumulation of a surplus equal to its subscribed capital.'

"These payments to the Treasury are not an interest charge on Federal Reserve notes as provided for in Section 16. The Board of Governors simply and improperly allege that such is the case. On Oct. 15, 1915, Counsel of the Federal Reserve Board sent a *Memorandum* to Paul M. Warburg of the Board explaining the meaning of interest rates on Federal Reserve notes under Section 16, and those interest rates did not mean the same as the franchise tax under Section 7. That *Memorandum* can be found in Henry Parker Willis', *The Federal Reserve System* (The Ronald Press Co., New York, 1923), pp. 883-885. Every Reserve Board from 1914 to 1916, inclusive, understood the meaning of those two Sections and respected the provisions involved.

Capital Accounts Written-Down

"For the years 1947-1955, $2,048,065,070 have been given by the Board of Governors to the Treasury; and every penny of that gift has been illegal. The capital accounts of the Reserve banks, Dec. 28, 1955, amounted to $1,204,686,000. They should have been $3,252,751,070 had the Board of Governors administered the Federal Reserve Act as written.

"By its illegal actions, the Board of Governors have nationalized 90% of the earnings of the Federal Reserve banks since 1946—all in violation of an Act of Congress.

"Yet Congress has done nothing to end this violation of law."

Foreign Aid Inflation Will Stimulate New Business Uptrend, Says Eliot Janeway

Business economist maintains foreign aid outlays will rise $5 billion and force renewed deficit financing; with 1957 the biggest year yet.

CHICAGO, Ill.—The U. S. is on the verge of a new kind of inflation — Foreign Aid inflation, Eliot Janeway, President of Janeway Publishing and Research Corporation and publisher of Janeway's Memos declared. Foreign Aid is about to merge as the decisive trendmaking factor in the American economy. And it will turn the U. S. business trend up sharply.

Eliot Janeway

Domestic Monetary Policies Overemphasized

American businessmen are serously underestimating the impact of Foreign Aid on the 1957 business trend; but they are still overestimating the impact of present (pre-emergency) domestic monetary policies on the trend, Mr. Janeway told The Executives' Club at the Hotel Sherman here Jan. 4. Foreign Aid inflation is a new phenomenon; and it is likely to catch American businessmen by surprise. American business thinking is on guard against inflation; and it is accustomed to Foreign Aid. But no previous experiment in Foreign Aid has exerted such a decisive, direct, and above all, speedy influence on the business trend here as our new effort to end the Suez crisis will.

Departure From Marshall Plan

"Our last major experiment in Foreign Aid was the Marshall Plan. But President Eisenhower's new Foreign Aid program is likely to have an altogether different economic effect. Our pre-Korean Marshall Plan was a much smaller effort—there was less pressure for it; its immediate influence was limited to Western Europe; and it cost less.

"It was the Korean War and not the Marshall Plan which started up the boom in 1950. The Marshall Plan was fully operative while the American economy was experiencing its pre-Korean spell of softness. Moreover, our Marshall Plan spending was at least five years in contributing to the uptrend here.

"Foreign Aid, as embodied in the Marshall Plan, finally did touch off a major U. S. business uptrend—but not until 1953. The new Eisenhower Foreign Aid program will involve the U. S. in an emergency expenditure of at least $5 billion. This means that it will not only be very much larger and more expensive than the Marshall Plan was; but it will influence the U. S. business trend very much faster than the Marshall Plan did—in three ways.

"Reason No. 1 is that, while the Marshall Plan was primarily a construction program, the new Eisenhower program will result quickly and simultaneously in demand for materials now in distress supply—notably crops and oil—as well as for construction. Reason No. 2 is that the new Eisenhower program will give the economy a lift from a much higher level of activity than the Marshall Plan; and the higher the level of activity, the greater the leverage of any new lift—even a much smaller one than the new Eisenhower program will be. Reason No. 3 is that the new Eisenhower Foreign Aid program is about to force the Government back into admitted deficit financing. This will put an end to present fears that demand for goods and services will dry up because of tight money conditions.

"The onset of 1957's new Foreign Aid inflation is finding most American businessmen preparing instead for a deflation, just as they mistakenly did two winters ago, when the slower and smaller impact of European demand touched off the last 'surprise' uptrend here. Europe is now suffering a new Korea of its own in the Middle East. The Suez crisis was a long time coming to a head; and it will be a long time being brought under control. Because the new world crisis is threatening to become such a long drawn-out affair, our Foreign Aid spending is certain to be long drawn out, too. And, therefore, so is the boom."

Illinois Power Stock Offer Oversubscribed

The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane as joint managers of a group of underwriters on Jan. 8 offered 200,000 shares of Illinois Power Co. common stock (without par value) at a price of $56.37½ per share. This offering was quickly oversubscribed.

The proceeds from the sale of the new common stock will be applied by the company first to the payment of short term bank loans estimated at about $8,000,000 made for financing construction expenditures and the balance to new construction.

Illinois Power is engaged primarily in the generation, transmission, distribution and sale of electric energy and the distribution and sale of natural gas in Illinois. The percentages of total operating revenues of the company, by classes of service, are currently about 75% electric, 24% gas and 1% steam heating.

For the 12 months ended Oct. 31, 1956, Illinois Power reported total operating revenues of $81,860,343 and net income of $14,060,683, equal to $3.97 per common share, compared with total operating revenues of $77,694,650 and net income of $12,509,804, or $3.45 per share, for the calendar year 1955.

The company has paid dividends quarterly on its common stock at the annual rate of $2.60 per share during the period Nov. 1, 1955 to date. The directors recently declared a quarterly dividend of 75 cents per share, payable on Feb. 1, 1957 to stockholders of record on Jan. 10, 1957.

With Marlo Inv.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Farrell D. Lowe is now connected with Marlo Investments, 929 Oakridge Avenue.

Joins Reinholdt, Gardner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Charles S. Powell has been added to the staff of Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

Economists Needed in Congress And International Affairs

By ROGER W. BABSON

Noted business analyst states "ninety percent of the legislation today is economic" and that, therefore, most Congressmen and ambassadors should be nationally recognized economists. Mr. Babson admits there are political overtones in the Suez crisis but finds the difficulty is basically an economic problem and requires courageous economists in international affairs. Writer discusses steps to strengthen the sanctity of contracts.

Now that the Senators and Representatives have become organized, we are able to make a rough analysis of their ability and training.

Roger W. Babson

It appears that about three-quarters of both branches of Congress are lawyers. At first glance, this seems reasonable, as their job is to make laws; this, however, should be the work of professional clerks. The Congressmen should confine their efforts to questions of policies. Lawyers, by training, are in a poor position to determine basic policies. Lawyers are trained to win cases, whether the defendant or prosecutor is right or wrong. The very fact that there are two parties to each suit though, only one party can win, and that both sides are represented by attorneys, is definite evidence that half of the attorneys are wrong! In the eyes of a statistician, this is a very poor record. If one-half of the bridges built by engineers collapsed, something would be done about it.

Ninety per cent of the legislation today is economic. This applies to agriculture, to manufacturing, to general business, and even to pensions for individuals. There should be no gambling connected with such legislation. A table for multiplication, division, or addition allows for no compromises. It is the same with policies; they are either right or wrong. They should not be settled out of court or in cloak rooms. All this means that three-quarters of the Senators and Representatives should be nationally recognized economists. They should be qualified either to legislate according to economic principles or else not to legislate at all. This principle should have been adopted when the nation was on the Gold Standard; but now that we are on the Political Standard, it is imperative. Some claim that more businessmen, bankers, manufacturers, and labor leaders should take the place of these lawyers. The real need, however, is for trained and practical economists and engineers who know what is best for the nation and have the courage to vote accordingly.

Suez Canal Rumpus

Probably the Suez difficulty is due to many causes, but it was primarily a matter of politics. President Nasser, of Egypt, was playing politics to get the good will of his people while raising money to build the great Aswan Dam. Prime Minister Eden was playing politics to hold his position and not be thrown out by the Labour Party. Other countries involved—possibly including the United States—were considering their heavy investments in oil. Basically, however, the Suez difficulty is an economic problem. It is not the votes involved which should be considered, but rather the tankage, distances, freight rates and other important problems of international trade. Probably the final solution will reflect a mixture of politics, statistical facts, and world economics. This means that the solution of the problem will not be permanent, but will be a mere stopgap. This shows that courageous economists are needed in international affairs as well as in domestic affairs.

The custom of selecting our Ambassadors according to their wealth or their contributions to campaign funds is absolutely wicked. Such a policy may have been largely responsible for the fact that England and France acted without the knowledge of the United States or the United Nations. Ambassadors should be trained economists, which probably means career men. Representatives to the United Nations should be selected according to their knowledge of economics and their experience in deciding economic problems.

The Sanctity of Contracts

Individual, national and international prosperity depends upon the recognition of the sanctity of contracts. No individual, corporation, or nation can prosper in the long run without an earnest endeavor to carry out its contracts. This is a fundamental matter in connection with the oil companies using the Suez Canal. Furthermore, a man does not need legal training in order to recognize the Ten Commandments. Honesty is not only the best policy, but it is the only policy upon which a reputation, or a business, or a nation can prosper and survive. No one nation should be allowed to interfere with the international trade vitally affecting all nations. A great need today is **Confidence.**

Of course, in discussing the sanctity of a contract, an individual, corporation, or nation is justified in knowing that the contract was not obtained dishonestly by misrepresentation, coercion, or bribery. It is possible that some contracts for drilling oil were obtained under rather unsavory conditions, but no such claims have been made in connection with the high-grade oil companies now suffering from the Suez dispute. Possibly it would have been better to have had the Suez Canal contract, when originally drawn, made subject to renegotiations similar to the renegotiations that the oil companies have already gone through. These Suez renegotiations could have been under the jurisdiction of a committee of accountants and economists approved by the World Court. The committee could employ an international and impartial lawyer, upon whom all parties would agree. Their decisions, however, should strengthen the importance of the sanctity of contracts and not undermine or impair same. In closing, let me say that my appeal in this column may not do any good but, as Congress is now organizing and as the Suez negotiations are in full operation. I do want my readers to be thinking over this message.

Flower, Kramme V.-Ps. Of T. C. Henderson

DES MOINES, Iowa — T. C. Henderson & Co., Inc., Empire Building, members of the New York and Midwest Stock Exchanges, announce that Lester H. Flower and Walter B. Kramme have been elected Vice-Presidents of the firm. Mr. Flower, who joined T. C. Henderson & Co. in 1944, has been in the investment business for 34 years. Mr. Kramme has been in the financial and securities business for 13 years.

Hemphill, Noyes Co. To Admit Partner

Hemphill, Noyes & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, on Jan. 10 admitted J. Malcolm de Sieyes to partnership.

With H. O. Peet

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Winslow Cady has become connected with H. O. Peet & Co., Farnam Building.

Now With McCarley Co.

(Special to THE FINANCIAL CHRONICLE)

ASHEVILLE, N. C.—Larry H. Moore has become affiliated with McCarley & Company, Inc., Jackson Building, members of the New York Stock Exchange. He was formerly with Abbott, Proctor & Paine and Thomson & McKinnon.

Public Utility Securities

By OWEN ELY

Southern California Edison Company

Southern California Edison with annual revenues of $192 million, serves a population of 3,800,000 in portions of central and southern California, not including the City of Los Angeles which has a municipal operation. Principal cities served include Long Beach, Santa Monica, San Bernardino, and Santa Barbara. The economy of the area is built on truck farming—much of it made possible by irrigation—fruit growing and packing, oil and diversified light industry, which includes tires, cement, chemicals, airplanes, automobiles and machinery.

Revenues are approximately 37% residential, 7% farm, 21% commercial and 27% industrial. Although many of the company's industrial customers are large users of electric energy, the revenue derived from the largest single customer accounts for only about 1.4% of revenue, and the ten largest industrial customers together account for approximately 7.1%.

As indicated in the table below, the company has enjoyed very rapid growth in the postwar period, 1956 estimated revenues approximating 2.9 times those of 1945. However, the record of share earnings, historically, has been somewhat disappointing; current earnings are only slightly higher than those of 1929, 1949 and 1952.

The company is still growing very rapidly. Peak demand was 2,326,600 kw. on Aug. 23, 1956. At that time, capacity was 2,481,600 kw., including 200,000 kw. available under contract from other utilities. In September the company placed in operation the initial unit of 165,000 kw. at Los Alamitos, and construction has begun on the second unit of equal capacity. It now has under construction 330,000 kw. of additional steam capacity for completion in 1957 and 400,000 kw. for completion in 1958—a projected increase of about 37% during 1956-8 over 1955. Generating capacity at the end of 1955 was about 43% hydro, but with the addition of large steam capacity the ratio will drop, though some new hydro capacity is also projected.

The company's construction budget for 1957 is set at a record $135 million compared with $125 million in 1956. Most of the increase will be used for initial construction of the Mammouth Pool Hydro Power Plant in the High Sierras which is expected to be approved shortly by the Government. In the first half of 1956 the company sold $30,000,000 preferred stock and $40,000,000 bonds. The sale of 500,000 shares of common stock at $48.50 a share in September provided additional funds to complete the year's construction program.

Soutnern California Edison's major difficulties in raising share earnings have resulted from (1) occasional droughts affecting hydro operations; (2) steadily rising prices for oil and gas as fuel, with indications of further increases; and (3) regulatory lag in obtaining rate increases and a relatively low "allowable" rate of return. The table below shows the percentage earned on invested capital: only in the year 1949 was the company able to achieve a 6% return, as calculated on this basis by Standard & Poor's. It would seem highly desirable for the company to have a fuel adjustment clause to provide for changes in boiler fuel costs, as is permitted in Florida and some other states.

The company obtained a rate increase in September 1954 but in 1955 operations under the new rate schedules failed to yield the rate of return (5.9%) allowed by the California Public Utilities Commission, due in part to below-average water conditions and to the fact that costs of fuel, wages, taxes and other expenses advanced more rapidly than was visualized in the Commission's decision.

In September 1956 the company again applied to the Commission for an increase, the amount approximating $13.5 million per annum, which if realized would raise the rate of return (on the rate base as calculated by the company) to 6% or 6.25%, and pro forma share earnings to about $4.10.

Regarding the rising costs of generating power the 1955 Report stated: "Fuel costs rose 24.2%, the result of increased unit fuel oil prices, additional generation at steam stations and the use of oil in greater quantities to supplement decreasing deliveries of lower cost gas. The decline in energy from Hoover Dam necessitated a proportionate increase in purchases from other, higher priced, sources." Engineering studies are in progress for construction of pipelines to obtain deliveries of gas fuel under long-term arrangements. In September 1956 the company signed a 20-year contract for purchase of a substantial amount of gas to fuel its plants in the Los Angeles area, with deliveries to start late in 1958.

Capitalization as of July 31, 1956, pro forma for the sale of common stock in September, was approximately as follows:

	Millions	Percentage
Mortgage Debt	$368	44%
Convertible Debentures	37	4
Preferred Stock	135	16
Common Stock Equity (8,028,000 shs.)	300	36
	$840	100%

At the recent price around 46, paying $2.40, the stock yields 5.2%. The price earnings ratio approximates 13.9, slightly below the industry average.

Southern California Edison's Postwar Record

Year	Rev. (Mill.)	Common Stock Record Earnings	Dividends	Approx. Range	Percent Earned on Invested Capital
1956 Est.	$195	$3.32	$2.40	54—45	5.0%*
1955	177	3.32	2.30	55—45	5.4
1954	154	3.06	2.00	47—38	5.1
1953	140	2.68	2.00	39—34	4.7
1952	127	3.27	2.00	39—34	5.6
1951	118	2.92	2.00	35—32	4.9
1950	105	3.18	2.00	37—31	5.4
1949	100	3.19	1.75	36—29	6.0
1948	96	2.03	1.50	31—25	4.3
1947	85	2.05	1.50	35—27	4.8
1946	73	1.94	1.50	40—30	5.1
1945	68	1.72	1.50	37—27	5.0

*As of June 30.

Continued from page 5

Fourteen Economists View 1957 Via Conference Board Forum

moderate rise is in prospect through the coming year. Services should show an upward trend.

IRA T. ELLIS

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

GNP in 1957 will be around $430 billon, including price increases. . . . I think we shall see a resurgence of durable goods spending in 1957. It may be up 6% over 1956. . . . Nondurable goods may rise only 4%. . . . In 1957 we might have something like a 4% rise in textile mill production: there is still a great deal of growth ahead in the newer synthetics. Apparel output in 1957 may be up something like 3% over 1956. Food products will continue to rise in 1957, because population is rising and also personal income will be higher.

Ira T. Ellis

. . . Petroleum production may have a 5-6% increase in 1957 over 1956, stimulated partly, of course, by the situation in Europe. Domestic consumption of petroleum products next year may be up about 4.5%, a normal rate of increase. Output of rubber products next year, another important consumer goods item, may be up about 7%, owing largely to an expected increase in automobile production.

ROY L. REIERSON

Economist and Vice-President, Bankers Trust Co.

Measured by interest rates, credit conditions are tighter today than they have been for a good many years. We are experiencing an old-fashioned investment boom. . . . The banking system today is more fully loaned than it has been at any time since the great depression. . . . The ratio of capital funds to risk assets has declined. . . . Many banks are subject to pressures on their liquidity. . . . The same sort of economic environment that contributed to the tightening of credit and the rise in interest rates in 1956 seems in prospect for the months immediately ahead, at least; namely, a continued upward trend in costs and prices, high levels of business spending on plant and equipment, and continued additions to business inventories.

Roy L. Reierson

. . . The banking system would find it very difficult to achieve increases in loans in 1957 comparable with those achieved in 1956 and 1955. So long, therefore, as the course of prices and economic outlook or output is upward, pressures on credit are likely to continue and, in fact, may become greater in the months ahead. We have probably not yet seen the cyclical highs of interest rates.

GEORGE P. HITCHINGS

Manager, Economic Analysis Dept. Ford Motor Co.

At the present time, the slower build-up of production of the 1957 automobile models has prevented a full test of what the market is likely to be. Normal for 1957 might be in the range of 6.25 to 6.5 million. The car market should increase about 3% to 4% a year, as long as the economy is rising at such a rate. In addition, the major model changes in 1957 indicate a better year than in 1956.

Geo. P. Hitchings

. . . It is doubtful, however, that the used-car market is strong enough to absorb appreciably more than a 10% increase in new car sales. . . . I feel that the new model demand is somewhere between the 1955 model and the 1956 model. This tends to support a 6.5 million rate.

BRADFORD B. SMITH

Economist, U. S. Steel Corp.

Below the surface I have found a number of trends which could be regarded as unsustainable. We have had an increase in our residential debt, September to September, of a little over $11 billion, or 13%. We have had an increase in consumer credit of $4 billion, or 11%. From September to September, the loans of all commercial banks increased by $10 billion, or 12.8%. . . . There is a hazard in continuing a reasonably strict monetary situation of encountering a "1954," but I would gladly accept that risk rather than take the chance of encountering a real financial crisis later on.

Bradford B. Smith

. . . In the year ahead, steel production is likely to be rather close to what we have this year, perhaps slightly less. In terms of percentage of capacity, the industry might average out for next year somewhere between 85% and 90%. This figure for steel comprehends a somewhat higher level of operations in the first half of the year than in the latter half.

WALTER E. HOADLEY, Jr.

Treasurer, Armstrong Cork Co.

. . . Housing starts in 1957 will be very close to a million units—a moderate decline from the approximately 1.1 million units started in 1956. Home building currently is facing a transition stage from the postwar decade of boom and shortage to selling conditions properly described as buyers' markets. The urgency to buy new homes is definitely reduced. . . . With marriages down sharply in recent years there are fewer new families pressing for new homes. Building costs, including land, have been rising very rapidly, so that increasing numbers of families have been simply priced out of the housing market.

W. E. Hoadley, Jr.

. . . Factors of underlying strength in housing include a strong demand for additional living space. . . . Millions of families have moved into higher income brackets where they can afford better housing. A large number of houses are being literally removed from the housing market.

. . . In the commercial field, a crest seems to be in sight by the close of 1957. Some slow-up in new stores is to be expected, but the boom in office and related buildings should continue. More educational structures, religious buildings, and similar units will be built next year. . . . Some drop in industrial plant construction is to be anticipated. The highway program will not be a major plus factor next year, but will contribute some underlying strength to construction.

LOUIS J. PARADISO

Assistant Director-Chief Statistician, Office of Business Economics, U. S. Department of Commerce

Manufacturing stock-sales ratios are above last year. But accumulation is largely centered in goods-in-process, and the industries which are having expanding unfilled orders are the same ones that are also accumulating inventories. The accumulation has been largely in preparation for a larger output of finished goods. I don't regard inventories in manufacturing generally as being out of line in relation to current sales and prospective business.

Louis J. Paradiso

. . . Retail inventories generally are either about in line with sales or, if anything, on the low side. The inventory-sales ratios . . . are the lowest in four years in lumber, building and hardware, and furniture and appliance stores. They are low in drug stores and apparel stores, and about the same in the automotive group.

There is a close correlation between the change in inventories and the change in GNP. If you are thinking of an increase of $12 billion in physical volume in 1957 over 1956, the change in inventories would be expected to be $2-3 billion. Higher prices would influence this total.

NATHAN M. KOFFSKY

Chief, Farm Income Branch, Agricultural Marketing Service, U. S. Department of Agriculture

I look forward to a further mild improvement in farm income of approximately 5%, and a slight improvement in prices received by farmers. But I would expect that retail prices will continue up. Thus, the parity ratio next year will be not much different from this year. In 1957, the major element in the picture is the Soil Bank program. . . . I would expect cash receipts from crops to be reduced, primarily because of somewhat smaller crops to be marketed. This would be replaced by Soil Bank pay-

Nathan M. Koffsky

ments which can reach a maximum of $1.2 billion. Livestock receipts should be increased, and dairy income will rise somewhat.

. . . I expect something in the nature of a $500 or $600-million increase in farmers' net income.

. . . Retail food prices will probably be up a little bit. The rise will be more apparent in the first half the year than in the second. Processing and marketing costs are still going up.

. . . This year, for the first time in a postwar period, farmers are spending less for new machinery than their depreciation. Some improvement will occur in the farm machinery picture next year for that reason, and also because the farm income picture will be a little better.

O. GLENN SAXON
Professor of Economics, Yale University

For 1957. U. S. exports, including those under government aid and subsidy, should be up approximately 6-7%, to a new high of about $18 billion. I would anticipate no increase or a nominal one at most, in imports. . . . This would give us an increase in our over-all trade balance (including those exports that have had government aid) from $4 billion in 1956 to approximately $5 billion in 1957.


Dr. O. Glenn Saxon

. . . One of the major factors in the expansion of United States industrial exports has been the increasing ease of convertibility of foreign currencies in Europe, outside of Great Britain, and a continued reduction in the restraints on exchange payments and other trade discriminations against U. S. exports. Increased convertibility is here to stay. It is a major factor in the general expansion of world trade.

IMRIE de VEGH
de Vegh Company

The stock market as a whole is a healthy segment of the American economy. There is very little borrowed money in it. . . . There is a considerable likelihood that earning power will be well sustained at least through the first and maybe through the second quarter of next year. . . . Tight money has taken an awful lot of the water out of the stock market. I would be surprised if the stock market could surge upward in a major further advance from here on out. But I do not believe that it can suffer a collapse, unless and until there is tangible evidence that we have overexpanded our industrial capacity and that military expenditures, cost-reducing innovations, and all the rest, are insufficient to prevent a cyclical depression.


Imrie de Vegh

Summary

MARTIN R. GAINSBRUGH
Chief Economist, National Industrial Conference Board

We as a group subscribe to a higher level of activity throughout 1957 than in 1956. The pattern the Forum foresees is a change in slope, or a plateau in the second half, rather than clear recession tendencies already in operation before the year ends. The Forum regards 1957—the year as a whole—as likely to be the best year in the nation's history. . . . Most of the group here expect a GNP for the year of $425 to $430 billion. The Forum anticipates about a 4% increase in GNP for 1957 as a whole, as compared with 1956. Of that, about half would emerge in terms of real volume, the other half would represent price increase.


M. R. Gainsbrugh

The outlook is for strength in virtually every sector of consumption. In the main, the figures suggest an increase of somewhere between $10 and $15 billion in such outlays.

We anticipate a rise in unemployment in 1957 . . . about equivalent to the normal entrance of new recruits into the labor force.

For the first time in many years this Forum has put up some new types of warning signals. Among these are: the change in the liquidity position not only of commercial banks but also of businesses and of consumers alike; the historic pattern of delayed postwar readjustments; the fact that we seem to have passed from the shortage era of the first postwar decade to a period in which, in many instances, we have capacity in excess of the market's current ability to absorp output.

FHLB Notes on Market

Public offering of $166,000,000 Federal Home Loan Banks 3⅞% series H-1957 consolidated noncallable notes, dated Jan. 15, 1957 and due July 15, 1957, is being made today (Jan. 3) by the Federal Home Loan Banks through Everett Smith, fiscal agent of the Banks, and a nationwide group of securities dealers. The notes are priced at 100%.

Proceeds from issuance of the notes will be used to retire $164,000,000 of 3.05% notes maturing on Jan. 15, 1957, and to provide funds for making additional credit available by the Federal Home Loan Banks to their member institutions.

It was also announced that, due to an expected return flow of funds into the Banks, it is anticipated the $56,000,000 consolidated notes due on Feb. 15, 1957, will be redeemed in full.

Upon completion of today's offering of notes and payment of the Jan. 15 maturity, outstanding consolidated notes of the Banks will total $965,000,000.

Two With Goldman, Sachs

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Richard B. Rosenthal and Charles Wulfing have become affiliated with Goldman, Sachs & Co., Boatmen's Bank Building. Mr. Rosenthal was previously with Scherck, Richter Company.

Wachob-Bender Adds

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Kenneth M. Grancke has been added to the staff of Wachob-Bender Corporation, 3624 Farnam Street.

Handling Investment Problems

By EDWIN J. SCHLESINGER
Investment Counsel, New York City

Investment counselor Schlesinger outlines a variety of feelings, facts, and fallacies that should be considered in order to cope with investment problems in 1957.

The following points may prove helpful in coping with investment problems during 1957:

(1) With the Presidential election out of the way, there is less incentive to interfere with the country's normal economic course.


Edwin J. Schlesinger

(2) Competition is likely to be keener than in some time, with certain companies advancing and others making no progress or even losing ground.

(3) The dangers that follow in the wake of inflation should be constantly kept in mind. Inflation is more to be feared than deflation.

(4) Unless the inflationary forces recede, higher interest rates should be anticipated. From 1933 through 1952, interest rates were kept artificially low.

(5) Continued price advances constitute an explosive force.

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

(7) It is very likely that the position of agriculture will show definite improvement.

(8) Installment buying is unlikely to be permitted to get out of hand.

(9) The automotive industry surely, and the building industry probably, will do better than in 1956.

(10) Labor is likely to become more moderate in its demands.

(11) The growing population should continue to add further strength to the economy.

(12) Dividends may equal those of 1956, while profits are likely to show a decline.

(13) All too many investors can be expected to continue buying on bulges and selling on declines, with the result that prices might neither reflect true values nor future prospects.

(14) Depending upon the state of the investors' emotions, the prices of common stocks can decline even when earnings and dividends make a satisfactory showing.

(15) The search for growth stocks has proven a will-o'-the wisp to many investors.

(16) An investor who is unwilling to take any calculated risks may become an unwitting speculator.

(17) One of the good ways to protect a portfolio is to space purchases.

(18) Only on rare occasions is it advisable to be fully invested.

(19) To consistently follow the adage "you can't go broke by taking a profit" can seriously impair a portfolio.

(20) While the country's economic foundation should steadily become stronger, it will nevertheless be subject to adverse influences.

(21) Any setbacks that occur are likely to be of a temporary nature and should not effectively interfere with the economy's long-term growth.

J. A. Thomas Elected By Underwood Corp.

Joseph A. Thomas, partner in Lehman Brothers, has been elected chairman of the Executive Committee by the board of directors of Underwood Corporation. Also elected to the Executive Committee were Reeve Schley, chairman of Underwood's board, Fred M. Farwell, President, Robert L. Clarkson, chairman of the board of American Express Company, and Dudley H. Mills, chairman of the board of Discount Corporation of New York.


Joseph A. Thomas

The newly appointed Executive Committee, in addition to its regular functions, will also assume the functions of the former Finance Committee of Underwood's board of directors.

Philip D. Wagoner, former chairman of the Executive Committee, after completing 60 years in active business, was elected Honorary Chairman of the board and will continue to serve as a director.

Mr. Thomas, a native of Forth Worth, Texas, became associated with Lehman Brothers in 1930 and was made a partner in 1937. During World War II he served in the U. S. Navy rising to the rank of Commander. He also serves as chairman of the board of American Export Lines, Inc., and as a director in a number of other nationally known companies.

Opens Inv. Office

MASSAPEQUA PARK, N. Y.—Tanya Kaye is conducting a securities business from offices at 132 Harbor Lane.

Continued from page 3

Population and Economic Growth

economic process with results that we all can see. In this country we have achieved the highest standard of living ever to have been achieved in all history. Adam Smith and our revolutionary forefathers have been fully justified in the sequel. So successful has this free enterprise economy of ours been that the idea of progress has become with us almost a religious concept. To doubt the inevitability of endless progress in the future is a kind of heresy that no right-thinging man would be guilty of committing. As one of our large corporations reiterates in its commercials on television, "Progress is our most important product."

Emergence of Malthusian Specter

Every rose, however, must have a thorn, and every paradise must have a snake hiding somewhere in the bushes. So too with the paradise of naturalistic optimism envisaged in Adam Smith's "Inquiry Into the Causes of the Wealth of Nations." In 1798 in England, a young clergyman published anonymously a work entitled "Essay on the Principle of Population as it Affects the Future Improvement of Society." This clergyman had been studying the growth of population in England and came to the conclusion that it tended to double every 25 years. The food supply, however, increased only at a much more pedestrian rate. If this continued, it was obvious that at some point there would not be enough food to sustain the population and that the excess would die of hunger or pestilence, or would kill themselves off in war. The only alternative would be the postponement of marriage and the exercise of a much greater degree of continence within marriage than had hitherto been practiced. Thus, it seemed that humanity's reproductive ability would in the end triumph over its productive ability. It was this new note that Thomas Malthus (for he was the clergyman author) injected into economic science that has given it the name of the "dismal science." Someone has suggested that his essay should have been entitled "An Inquiry into the Causes of the Poverty of Nations."

The dire predictions of the Malthusians, however, did not materialize in the nineteenth and twentieth centuries. Population grew rapidly, of course, but the standard of living in all civilized countries nevertheless improved, too. Science, armed with steam and steel, was conquering the resources of vast new areas of the earth's surface and everyone was living better than before despite rapidly increasing numbers. All the whispered fears of overpopulation were drowned in the bubbub of industrial progress. There even arose some talk of the opposite disaster—race suicide.

The baby boom that followed World War II and that upset the forecasts of the population experts —a boom that may repeat itself when the wartime crop of babies comes of marriageable age — is forcing us once more to consider the relation between population growth and our ability to expand production sufficiently to avoid a decline in the standard of living of which we are all so proud. It is to this point that I now wish to address myself. I am not claiming statistical impeccability for my calculations for I am merely trying to paint in rather broad strokes some relations and tendencies that bear careful watching.

Fallacy of GNP

I would direct your attention, first of all, to the most general statistical aggregate that we have — the so-called Gross National Product. This purports to represent the totality of goods and services produced in the country, expressed in terms of current prices. It is thus a measure of the output of our economy in terms of dollars. As it grows, our pride of achievement grows. It is very easy to fall into the fallacy of thinking that the greater the Gross National Product, the more prosperous are the people of our country. The increase in the Gross National Product from roughly $214 billion a year in 1945, when the second World War ended, to the $414 billion a year rate in the third quarter of 1956 seems really something to boast about! That represents an increase of almost 100% in just a little over 10 years.

We must remember, however, that this aggregate is stated in terms of current prices and we know only too well that prices vary from time to tme. To get at the meaning of the Gross National Product figures in terms of goods and services, therefore, they have to be deflated to eliminate the effect of changing prices. We must remember, too, that the population is growing and that the Gross National Product must be shared among more and more people. Making these two adjustments — dividing by the population figure in order to reduce the aggregate to a per capita basis, and then deflating that per capita figure by the index of consumers prices (1947-49=100) we arrive at a real per capita Gross National Product figure that gives some indication of the increase in average economic wellbeing.

In 1945, this real per capita Gross National Product figure stood at $1,990 a year. In the third quarter of this year it was running at the rate of $2,099 a year. In other words, after a little over 10 years of expansion, our economy was producing only $109 more of real goods and services per capita than it was in 1945. This was an improvement, certainly, but not as spectacular a gain as we might have expected.

Small Gain in Personal Income

Another statistical aggregate with which economists are concerned is the so-called "Personal Disposable Income." This is total personal income less the amounts that are paid to governmental bodies in the form of taxes. In other words, Personal Disposable Income is what the American people have left to live on or to save after the various tax collectors finish with them. In 1945 this figure amounted to a little over $150 billion. In the third quarter of 1956 it was running at an annual rate of about $288 billion in terms of current prices, an increase of $138 billion.

If, however, we make the same sort of adjustments here as we did in the case of the Gross National Product figures, we will get a figure for real per capita income, i. e., a figure that represents in terms of actual goods and services what the average person has to spend or save. In 1945, real personal disposable income per capita amounted to $1.401. In the third quarter of 1956 it was running at the rate of $1,462 a year. In other words, after 10 years of economic expansion, the average person was getting only $62 a year more to spend or save.

This seems to be a miniscule result when set side by side with the prodigious investment we have been making in new plant and equipment — that is, in our capacity to produce goods and services. In 1950, for example, we spent $21 billion for new plant and equipment and in 1955 approximately $29 billion. Expenditures for this purpose increased at an average rate of $1.6 billion a year during that five-year period. In 1956, however, we are spending over $36 billion—over $7 billion more than we did in 1955, or about four and a half times the average annual rate of increase between 1950 and 1955.

Why is it that this enormous expenditure for new plant and equipment is not yielding anything like a commensurate improvement in the quantity of goods and services at the disposal of the average person?

How Much Capital Outlay Growth?

One reason is that our economy is now so large that large expenditures are needed merely to replace the plant and equipment that is falling out of service for one reason or another. It has been estimated that nearly $17 billion of the $36 billion spent in 1956 goes for replacement alone.

Another reason is that it takes over $5,000 in new plant and equiment (to say nothing of land, working capital, accounts receivable, or other forms of capital) to equip a worker for his work. The working force in 1956 is roughly a million larger than it was in 1955. About $5⅓ billion in new plant and equipment would therefore be absorbed by this addition to the labor force. This leaves something less than $14 billion for actual expansion of our productive facilities, approximately $240 per worker. This represents an increase of only about 4% in the capital equipment available per worker.

The gain in wellbeing that might be expected to accrue from this increase of 4% in the plant and equipment per worker is further offset to some extent by the fact that each man at work is having to support more and more who are not working. Look at the growth of different age groups in the population: Between April 1950 and July 1955 the population of the country increased 9.3%. Children under five years increased 13.2%, and those between five and 13 years increased 26.8%. The 14 to 17 year age group increased 9.5%, but the 18 to 65 year group—the productive ages — increased only 4% — less than half the average for all ages. Persons 65 years of age and over increased 15.9%. This disproportionate growth of the non-productive age groups in the population is another serious drain on the productive capacity of the country.

Running Hard to Stay in Place

Taken together, then, the fantastic investment needed just for relacement, to equip newcomers to the labor force with the prevailing complement of tools and machinery, and to support the growing number of non-productive persons, represents an equally tremendous demand for savings that must be made by the economy. In "Alice in Wonderland" the Red Queen tells Alice that she must come from a very slow country. "Now here," said the Red Queen, "you have to run as hard as you can just to stay in one place. To get anywhere else, you have to run twice that fast."

A good deal of the current boom in investment that is alarming some people because of its inflationary dangers, is in the nature of running we must do just to stay in the same place. To improve our level of living we shall have to run a great deal faster.

Society is free to enjoy the fruits of increased productive capacity in one or another or some combination of three ways. It can take the benefit in the form of more goods, or more leisure, or more children. We Americans, however, want all of these things simultaneously — we want more automobiles; more houses; more television sets and washing machines; more hospitals and schools; more roads; more factories; more skyscrapers; more of everything, just when we also want shorter hours, longer vacations, earlier retirement—in short, when we want to work less. And now, in addition to everything else, we also want big families.

Cites Toynbee

To a considerable extent we have been fortunate in this country—we have been able to do all of these things. It is doubtful, however, that we can keep on doing so for long. Sooner or later, if it persists at its present rate, the increase in population will encroach on all other elements in our standard of living which will then of necessity begin to decline. The cloud that Malthus saw on the horizon in 1798 may take on sinister proportions before this century is out. Toynbee may be right after all, and our civilization may perish if we do not bring the population problem under control.

The one sure way out of the difficulty would be the voluntary and sufficiently drastic limitation of the birth rate for the sake of the future. Feew indeed, however, are likely to be that much interested in the future. As long as the present is as rosy as it is now there is little likelihood that this voluntary check will prove very effective. Something more is required.

Looks to Proper Leadership

In every civilization there are a few key figures upon whose shoulders rest the burden of carrying that civilization forward. It is their decisions that provide both direction and momentum to the whole cultural complex within which they work. In our particular civilization these fate-figures are, speaking generically, the scientists, the entrepreneur, and the banker. As Toynbee correctly sees, the greatest challenge that these figures will face in the future is likely to come from the growth of population at a rate greater than the rate of growth in the economy that must sustain it. Our future welfare depends on the success with which our key figures meet the challenge. What can be done?

Role of the Scientist

Consider, first, the scientist. Science is generally looked upon as the panacea for all ills. Science will find a way out of this population dilemma, too, it is thought, and we can still enjoy more and more babies and more and more of everything else. I am not quite so sanguine as all this, but I do believe that science has a contribution to make. Scientific research is constantly finding ways of achieving given results or even greater results by the use of smaller quantities of physical resources. The marvelous developments in the field of miniaturization are cases in point. This is all to the good, and, it seems to me, scientists have a moral and social responsibility to deliberately bend more of their efforts toward capital-saving and resource-conserving processes. Ideally, of course, the scientific spirit, like the Holy Spirit, "bloweth whither it listeth" and mankind is supposed to profit from this pursuit of what Thorstein Veblen once called "idle curiosity" only in its accidental results.

Our problems today, however, are too pressing to be allowed to remain at the mercy of accident. The urge to pure research must discipline itself in the direction of those tasks that promise most to mankind in the way of conserving the scarce resources with which nature and our own ingenuity and past sacrifices have endowed us.

Businessmen and Bankers

The second key figure in our society is the businessman, the entrepreneur. It is he who organizes production. Under present circumstances the entrepreneurial function is most often exercised by the management of great corporations. It is to be presumed, of course, that entrepreneurs, great and small, operate in response to the profit motive. Even so they may still have the option of using their talents in direction that conserve capital and other resources or of expending them on wasteful and extravagant ventures. For the sake of the future of our free economy, entrepreneurs should throw the weight of their influence against all waste and extravagence and in favor of the most economical use of the resources over which they have disposal.

I think, too, that my friends the bankers have some part to play in this task of forestalling the worst results of this tendency for population to outrun the means of sustaining it. The banker's function is essentially a critical function. It is he who decides how the not unlimited supply of credit is allocated as among the various demands for it. He is therefore in a position to exert a definite influence over the direction in which credit flows. It is part of his social responsibility to see that credit is used to increase the ability of the economy to sustain the life of the population, and not merely to facilitate the squandering of our resources in trivial and often unnecessary consumption by a thoughtless public.

Warns Against Inflation

The rest of us, too, may also do something in this common task. We can relearn, if we try, the virtues of frugality and saving. If the army of babies that even now looms over the horizon is to be fed, and clothed, and housed, and educated, and set to work on at least an equal technical level with the present population, both industry and government are going to need all the savings they can lay their hands on. If we fail, as individuals and as corporations, to save the needed amounts voluntarily, the clamorous demands of the public for the things they need will bring about a kind of forced saving by the road of inflation. This, however, is no remedy at all. It is an illusion. We cannot eat, wear, or live in depreciating dollars. The scarcity that is already afflicting us is not a scarcity of money, but rather a scarcity of resources. There are not even now enough physical resources for us to do everything we want to do at one time. Unless science can pull off more miracles than now seem probable, this scarcity of physical resources *vis-a-vis* the demand for them by a rapidly increasing population will be much greater in the future than it is now.

The vision of Adam Smith has indeed had its fulfillment in the inordinately productive industrial superstructure that businessmen have erected on foundations laid by the scientists. The brightness of that vision, however, is even now somewhat dimmed by the shadow of Thomas Malthus. There is a danger that the coming hosts of babies may engulf us in the end unless we bestir ourselves in time. We are apparently caught, or will soon be caught, in a race between productivity and reproductivity. The improvement or deterioration in our standard of living in the years to come is going to depend upon the outcome of that race.

New Wiles Branch

HOUSTON, Tex.—Wiles & Company has opened a branch office at 3403 South Main Street, under the direction of Finis Cross.

With Allen Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Clarence J. Taylor has joined the staff of Allen Investment Company, Mile High Center.

Business Outlook in 1957

Cleveland Trust anticipates total goods and services expenditures to exceed that of 1956, particularly in consumer spending, Federal, state and local government outlays, and new-plant and equipment spending. Sees a period of world tensions for some time to come and expects this to provide more than the usual number of uncertainties for the coming year.

By analyzing major components of total expenditures for goods and services, and assuming no full-scale war will develop and a 2% price inflation, Cleveland Trust Company's current "Business Bulletin" concludes the economy in 1957 will run ahead of 1956.

The "Bulletin" states, as we approach 1957, the business engine has enough steam to keep it rolling at or above its present pace for the near term. Total unfilled orders on the books of manufacturers have mounted to a very high point. These backlogs will keep steel mills and other important industries busy well into the new year.

"Visibility becomes less clear as we look further ahead. In addition to the usual assortment of 'ifs', new uncertainties have been created by recent developments abroad. As yet the final outcome of events in the Middle East and elsewhere cannot be determined. However, we may be faced with a period of world tension for some time to come.

"If this should occur, our economy would be affected in various ways. For example, Federal outlays for national defense would probably be stepped up. Prices of world raw materials would tend to rise; in fact some have already done so, such as rubber, tin, wool, sugar, and cocoa. Inventories of raw materials might be built up in anticipation of possible further price increases.

"Meanwhile the oil shortage in Western Europe has increased the demand for Western Hemisphere oil, and for additional tankers. Larger purchases of oil in the United States by European nations would reduce their dollar reserves available for buying other items. The construction of more tankers for the long haul of Middle East oil around the Cape of Good Hope would require more steel plates, already in short supply.

"These are some of the things to watch during the coming months. Others include the cost and availability of credit; keener competition resulting from the addition of new industrial capacity; possible consumer resistance to higher prices; and the trend of profit margins."

Expenditures for Goods and Services

"One way of arriving at an estimate of overall business for the year 1957 is to consider the prospects for outlays for goods and services. The first four sections below deal with major components of the total volume of spending. In addition, residential construction and automobile output are treated separately because they were the principal laggards in 1956. In making estimates for 1957, it is assumed here that international tension may be greater than in most of 1956, but that no full-scale war will develop. It is also assumed that the general level of commodity prices will average around 2% higher, and dollar figures will be affected accordingly."

Consumer Spending

"Personal consumption expenditures are the largest single element in our economy, for they make up nearly two-thirds of all outlays for goods and services. The following table gives the figures for the first nine months of 1956 and 1955, at the annual rate.

Personal Consumption Expenditures First Nine Months at Annual Rate

	1956		1955	
	Amount Billion $	% of Total	Amount Billion $	% of Total
Durable goods	$33.7	12.8	$35.7	14.2
Nondurable goods	132.3	50.1	125.2	49.6
Services	98.1	37.1	91.2	36.2
Total	$264.1	100.0	$252.1	100.0

"A notable feature of the table is the decline in purchases of durable goods in 1956, both in amount and as a percent of the total. This was due chiefly to the drop in automobile sales. Spending for nondurables and services increased. Total outlays advanced $12 billion at the annual rate, some of which resulted from higher prices.

"With an improved automobile market in prospect this year, spending for durable goods as a whole is likely to show a fairly substantial rise in 1957. This group's proportionate share of the total may also increase, in contrast with the drop in 1956.

"The public's outlays for nondurable goods and for services have climbed steadily in recent years. The former includes such articles as food, clothing, gasoline, and tobacco. Services cover a wide variety of items like rent, utility bills, medical care, laundry and dry cleaning, and public transportation. The uptrend in nondurables and services can be expected to continue in 1957. For total personal consumption expenditures, a rise of about 4% is probable for 1957 over 1956."

Government Purchases of Goods and Services

"Outlays under this heading account for about 20% of all spending for goods and services. They were at an annual rate of $79.1 billion for the first nine months of 1956, as compared with $76.3 billion in the same 1955 period. The increase occurred in spending by state and local governments, which rose from $29.8 billion to $32.6 billion. Federal outlays were unchanged, being at an annual rate of $46.6 billion in both periods.

"The official Federal budget estimates for the fiscal year 1957, as revised last August, indicate a small advance over 1956 in defense spending and a larger one for all other types combined. However, in view of present world conditions, it seems likely that national security expenditures will climb above earlier expectations, perhaps by more than $2 billion for calendar 1957.

"In all probability, spending by state and local governments will be greater next year. A considerable portion goes for highways, schools and other public works. Financing of a few such projects have been postponed because of higher interest rates, but total outlays have mounted steadily in 1956. In the November elections, voters approved a record amount of new bond issues for various kinds of projects. And a joint report by the Department of Commerce and Department of Labor forecasts an increase of $1.6 billion, or 12%, in public construction in 1957, based partly on larger physical volume and partly on higher construction costs. Highways, hospitals, schools, and virtually all other types of public works are expected to share in the rise."

Business Spending for Plant and Equipment

"Capital expenditures by business concerns have furnished powerful support to industrial activity in 1956. The Government estimate released in December puts the total for this year at $34.9 billion. That is by far the largest on record, and is 22% above the 1955 figure of $28.7 billion. Higher costs of construction and materials have been a factor, but the greater part of the rise has been in physical volume. By quarters, the seasonally-adjusted figures mounted steadily from an annual rate of $31.5 billion for the fourth quarter of 1955 to an estimated $37.3 billion for the final three months of 1956.

"This exceptional jump during 1956 will not be repeated in 1957. Some companies have about reached their short-term objectives for expansion of capacity. The higher level of financing costs may bring some reduction in spending plans—though the effect so far has been small. Outlays in 1957 will start off well above a year earlier, but the quarterly trend is unlikely to show the marked rise which characterized 1956. Probably the total spent in 1957 will be from 5 to 10% more than in 1956."

Inventories

"The total dollar value of business inventories has been moving up steadily, partly because of higher prices. At the end of September, stocks in the hands of manufacturers, wholesalers, and retailers amounted to $86.4 billion, after seasonal adjustment. This compares with $80.0 billion a year earlier and $82.1 billion at the close of December, 1955.

"Sales have likewise shown an upward trend, but at a slower rate than that of inventories. Consequently the ratio of inventories to sales (stocks at end of month divided by sales during month) has advanced from 1.54 for December, 1955, to 1.60 in September of 1956. While the latter is not unduly high, the trend of the ratio from here on will bear watching. Twice in the past 10 years, in 1949 and 1953-54, stocks on hand became out of line with sales. The subsequent change from inventory expansion to contraction was a leading cause of the business recessions of those years.

"For the near future, continued high business activity and the rising trend of prices indicate some further increase in the dollar amount of total inventories. Also, the uncertain world situation may stimulate forward buying. The average level of inventories in 1957 should exceed that of 1956, though accumulation may not persist throughout all of 1957."

Home Building

"Residential building has been slipping since the Spring of 1955. The number of new nonfarm dwelling units started in 1956 will be slightly above 1,100,000 as against 1,329,000 in 1955. In dollar value the drop in construction has been less marked, because of the rise in building costs and the trend toward bigger and more expensive types of homes. Tighter mortgage credit has been a major factor in the decline. Also, the disappearance in most areas of the acute shortage of living space has removed an element which furnished a strong push to home building in the earlier postwar period.

"No vigorous revival of residential construction appears likely in the near future. Mortgage credit continues tight, and contracts awarded (which precede actual building) have not been showing an upturn, after seasonal adjustment. The prospects are that the number of new starts in 1957 will be from 4 to 8% under 1956; and that the dollar amount of new residential construction will show a smaller percentage drop. This would not mean a 'depressed' level, since the decline is from a very high point reached early in 1955."

Automobiles

Passenger car production for the year 1956 will be around 5.9 million units as against the all-time peak of 7.9 million in 1955. The 1956 figure could hardly be called low, having been exceeded only in 1950, 1953, and 1955. But after such a sharp drop the past year, some rebound can be expected. A strong plus factor is that dealers are not heavily overloaded with stocks of new cars, as they were in early 1956.

"The 1957 models in general have new features and a 'new look' designed to attract public interest. Although it is too early to make a final appraisal, the response so far seems to be favorable. Meanwhile fourth quarter production of some lines has been running behind schedule, due to various difficulties in swinging into new-model operations. This means that some of the output originally planned for the current quarter will be carried over into 1957.

"Price increases and higher interest charges on borrowed money may induce a certain amount of sales resistance. However, the prospects are reasonably good for the production of at least 6½ million cars in 1957."

Summary

"Because of the world situation, 1957 promises to be a year with more than the usual set of uncertainties. The present outlook is that total expenditures for goods and services will run ahead of 1956, with gains in the major areas of consumer spending, outlays by Federal, state, and local governments, and business spending for new plant and equipment."

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Net proceeds from the sale of the bonds will be used by the company to repay short-term bank loans which were incurred as interim financing of the company's construction program, and to reimburse the treasury in part for construction expenditures and provide for further construction.

The bonds will be redeemable at general redemption prices ranging from 105% to par, and at a special redemption price of par, plus accrued interest in each case.

Idaho Power Co. is an electric public utility engaged in the generation and sale of electric service in southern Idaho, eastern Oregon and a small area in northern Nevada. Of the company's operating revenues for the 12 months ended Oct. 31, 1956, approximately 91% was derived from electric sales in Idaho and 9% in Oregon and Nevada.

For the 12 months ended Oct. 31, 1956, the company had total operating revenues of $26,526,822, and net income of $5,601,309.

C. W. Scranton Adds

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—Theodore G. Bouzoucos, George T. Colville, Robert H. Geary, and Ruth E. Kernbach have joined the staff of Chas. W. Scranton & Co., 209 Church Street, members of the New York Stock Exchange.

Prudential Insurance Business Forecast

Increase in plant and equipment outlays by $5 billion, and a rise in Government and consumer spending, is seen by Prudential Economists as assuring record high 1957 economy. Warns that price inflation prospect mars optimistic outlook.

Increased spending by business, government and consumers will carry the Nation's economy to another record high in 1957, according to a comprehensive economic forecast released by Carrol M. Shanks, President of the Prudential Insurance Co.

The report envisions that next year's Gross National Product — the value of all goods and services produced in the United States —will exceed a whopping $430 billion. This is nearly $20 billion above the estimated GNP for 1956.

But "serious danger of further inflation mars the otherwise optimistic business picture," says the report. It cautions that the boom could actually prove "the prelude to a business reversal" if proper credit restraints are not employed.

The forecast being made public by Mr. Shanks is prepared annually by Dr. Gordon W. McKinley and his staff of Prudential economists.

They believe that in 1957:

(1) Private business will up its spending for plant expansion and equipment by $5 billion.

(2) Government spending will rise by $4½ billion, with the Federal Government accounting for $1½ billion of the increase and state and local governments $3 billion.

(3) Consumer expenditures are likely to increase by $10 billion.

(4) New housing starts will decrease slightly, totaling about 1,050,000 for the year compared with 1,100,000 for 1956.

The economists note that "despite full employment and high incomes, consumer spending has not risen in 1956 at nearly so rapid a rate as in 1955." That year the public upped its spending by $18 billion. This year the increase was only $11 billion.

"Consumers appear to be in a quite conservative mood — disposed more to recover from the indebtedness incurred in 1955 than to embark on a new spending spree."

But the Prudential economists say that while the predicted rise in the public's spending during 1957 may properly be described as a "restrained" increase, they conclude:

"It is obvious that a $10 billion increase in spending from this segment, coupled with heavy spending elsewhere in the economy, will provide powerful ammunition both for increase in output and increases in prices."

Boyd Inv. Co. Formed

WINTERVILLE, N. C.—Robert E. Boyd is engaging in a securities business from offices here under the firm name of Boyd Investment Company.

Venture Secs. Corp.

PHILADELPHIA, Pa.—Venture Securities Corporation has opened an office in the Provident Trust Building to engage in the securities business. Arden Yinkey, Jr. is associated with the office.

Provincial Am. Branch

MIAMI, Fla.—Provincial American Securities, Inc. has opened a branch office in the Roper Building under the direction of Herman Hoffman.

Continued from page 3

Population and Economic Growth

economic process with results that we all can see. In this country we have achieved the highest standard of living ever to have been achieved in all history. Adam Smith and our revolutionary forefathers have been fully justified in the sequel. So successful has this free enterprise economy of ours been that the idea of progress has become with us almost a religious concept. To doubt the inevitability of endless progress in the future is a kind of heresy that no right-thinging man would be guilty of committing. As one of our large corporations reiterates in its commercials on television, "Progress is our most important product."

Emergence of Malthusian Specter

Every rose, however, must have a thorn, and every paradise must have a snake hiding somewhere in the bushes. So too with the paradise of naturalistic optimism envisaged in Adam Smith's "Inquiry Into the Causes of the Wealth of Nations." In 1798 in England, a young clergyman published anonymously a work entitled "Essay on the Principle of Population as it Affects the Future Improvement of Society." This clergyman had been studying the growth of population in England and came to the conclusion that it tended to double every 25 years. The food supply, however, increased only at a much more pedestrian rate. If this continued, it was obvious that at some point there would not be enough food to sustain the population and that the excess would die of hunger or pestilence, or would kill themselves off in war. The only alternative would be the postponement of marriage and the exercise of a much greater degree of continence within marriage than had hitherto been practiced. Thus, it seemed that humanity's reproductive ability would in the end triumph over its productive ability. It was this new note that Thomas Malthus (for he was the clergyman author) injected into economic science that has given it the name of the "dismal science." Someone has suggested that his essay should have been entitled "An Inquiry into the Causes of the Poverty of Nations."

The dire predictions of the Malthusians, however, did not materialize in the nineteenth and twentieth centuries. Population grew rapidly, of course, but the standard of living in all civilized countries nevertheless improved, too. Science, armed with steam and steel, was conquering the resources of vast new areas of the earth's surface and everyone was living better than before despite rapidly increasing numbers. All the whispered fears of overpopulation were drowned in the hubbub of industrial progress. There even arose some talk of the opposite disaster—race suicide.

The baby boom that followed World War II and that upset the forecasts of the population experts —a boom that may repeat itself when the wartime crop of babies comes of marriageable age — is forcing us once more to consider the relation between population growth and our ability to expand production sufficiently to avoid a decline in the standard of living of which we are all so proud. It is to this point that I now wish to address myself. I am not claiming statistical impeccability for my calculations for I am merely trying to paint in rather broad strokes some relations and tendencies that bear careful watching.

Fallacy of GNP

I would direct your attention, first of all, to the most general statistical aggregate that we have — the so-called Gross National Product. This purports to represent the totality of goods and services produced in the country, expressed in terms of current prices. It is thus a measure of the output of our economy in terms of dollars. As it grows, our pride of achievement grows. It is very easy to fall into the fallacy of thinking that the greater the Gross National Product, the more prosperous are the people of our country. The increase in the Gross National Product from roughly $214 billion a year in 1945, when the second World War ended, to the $414 billion a year rate in the third quarter of 1956 seems really something to boast about! That represents an increase of almost 100% in just a little over 10 years.

We must remember, however, that this aggregate is stated in terms of current prices and we know only too well that prices vary from time to tme. To get at the meaning of the Gross National Product figures in terms of goods and services, therefore, they have to be deflated to eliminate the effect of changing prices. We must remember, too, that the population is growing and that the Gross National Product must be shared among more and more people. Making these two adjustments — dividing by the population figure in order to reduce the aggregate to a per capita basis, and then deflating that per capita figure by the index of consumers prices (1947-49=100)we arrive at a real per capita Gross National Product figure that gives some indication of the increase in average economic wellbeing.

In 1945, this real per capita Gross National Product figure stood at $1,990 a year. In the third quarter of this year it was running at the rate of $2,099 a year. In other words, after a little over 10 years of expansion, our economy was producing only $109 more of real goods and services per capita than it was in 1945. This was an improvement, certainly, but not as spectacular a gain as we might have expected.

Small Gain in Personal Income

Another statistical aggregate with which economists are concerned is the so-called "Personal Disposable Income." This is total personal income less the amounts that are paid to governmental bodies in the form of taxes. In other words, Personal Disposable Income is what the American people have left to live on or to save after the various tax collectors finish with them. In 1945 this figure amounted to a little over $150 billion. In the third quarter of 1956 it was running at an annual rate of about $288 billion in terms of current prices, an increase of $138 billion.

If, however, we make the same sort of adjustments here as we did in the case of the Gross National Product figures, we will get a figure for real per capita income, i. e., a figure that represents in terms of actual goods and services what the average person has to spend or save. In 1945, real personal disposable income per capita amounted to $1.401. In the third quarter of 1956 it was running at the rate of $1,462 a year. In other words, after 10 years of economic expansion, the average person was getting only $62 a year more to spend or save.

This seems to be a miniscule result when set side by side with the prodigious investment we have been making in new plant and equipment — that is, in our capacity to produce goods and services. In 1950, for example, we spent $21 billion for new plant and equipment and in 1955 approximately $29 billion. Expenditures for this purpose increased at an average rate of $1.6 billion a year during that five-year period. In 1956, however, we are spending over $36 billion—over $7 billion more than we did in 1955, or about four and a half times the average annual rate of increase between 1950 and 1955.

Why is it that this enormous expenditure for new plant and equipment is not yielding anything like a commensurate improvement in the quantity of goods and services at the disposal of the average person?

How Much Capital Outlay Growth?

One reason is that our economy is now so large that large expenditures are needed merely to replace the plant and equipment that is falling out of service for one reason or another. It has been estimated that nearly $17 billion of the $36 billion spent in 1956 goes for replacement alone.

Another reason is that it takes over $5,000 in new plant and equiment (to say nothing of land, working capital, accounts receivable, or other forms of capital) to equip a worker for his work. The working force in 1956 is roughly a million larger than it was in 1955. About $5⅓ billion in new plant and equipment would therefore be absorbed by this addition to the labor force. This leaves something less than $14 billion for actual expansion of our productive facilities, approximately $240 per worker. This represents an increase of only about 4% in the capital equipment available per worker.

The gain in wellbeing that might be expected to accrue from this increase of 4% in the plant and equipment per worker is further offset to some extent by the fact that each man at work is having to support more and more who are not working. Look at the growth of different age groups in the population: Between April 1950 and July 1955 the population of the country increased 9.3%. Children under five years increased 13.2%, and those between five and 13 years increased 26.8%. The 14 to 17 year age group increased 9.5%, but the 18 to 65 year group—the productive ages — increased only 4% — less than half the average for all ages. Persons 65 years of age and over increased 15.9%. This disproportionate growth of the non-productive age groups in the population is another serious drain on the productive capacity of the country.

Running Hard to Stay in Place

Taken together, then, the fantastic investment needed just for relacement, to equip newcomers to the labor force with the prevailing complement of tools and machinery, and to support the growing number of non-productive persons, represents an equally tremendous demand for savings that must be made by the economy. In "Alice in Wonderland" the Red Queen tells Alice that she must come from a very slow country. "Now here," said the Red Queen, "you have to run as hard as you can just to stay in one place. To get anywhere else, you have to run twice that fast."

A good deal of the current boom in investment that is alarming some people because of its inflationary dangers, is in the nature of running we must do just to stay in the same place. To improve our level of living we shall have to run a great deal faster.

Society is free to enjoy the fruits of increased productive capacity in one or another or some combination of three ways. It can take the benefit in the form of more goods, or more leisure, or more children. We Americans, however, want all of these things simultaneously — we want more automobiles; more houses; more television sets and washing machines; more hospitals and schools; more roads; more factories; more skyscrapers; more of everything, just when we also want shorter hours, longer vacations, earlier retirement—in short, when we want to work less. And now, in addition to everything else, we also want big families.

Cites Toynbee

To a considerable extent we have been fortunate in this country—we have been able to do all of these things. It is doubtful, however, that we can keep on doing so for long. Sooner or later, if it persists at its present rate, the increase in population will encroach on all other elements in our standard of living which will then of necessity begin to decline. The cloud that Malthus saw on the horizon in 1798 may take on sinister proportions before this century is out. Toynbee may be right after all, and our civilization may perish if we do not bring the population problem under control.

The one sure way out of the difficulty would be the voluntary and sufficiently drastic limitation of the birth rate for the sake of the future. Feew indeed, however, are likely to be that much interested in the future. As long as the present is as rosy as it is now there is little likelihood that this voluntary check will prove very effective. Something more is required.

Looks to Proper Leadership

In every civilization there are a few key figures upon whose shoulders rest the burden of carrying that civilization forward. It is their decisions that provide both direction and momentum to the whole cultural complex within which they work. In our particular civilization these fate-figures are, speaking generically, the scientists, the entrepreneur, and the banker. As Toynbee correctly sees, the greatest challenge that these figures will face in the future is likely to come from the growth of population at a rate greater than the rate of growth in the economy that must sustain it. Our future welfare depends on the success with which our key figures meet the challenge. What can be done?

Role of the Scientist

Consider, first, the scientist. Science is generally looked upon as the panacea for all ills. Science will find a way out of this population dilemma, too, it is thought, and we can still enjoy more and more babies and more and more of everything else. I am not quite so sanguine as all this, but I do believe that science has a contribution to make. Scientific research is constantly finding ways of achieving given results or even greater results by the use of smaller quantities of physical resources. The marvelous developments in the field of miniaturization are cases in point. This is all to the good, and, it seems to me, scientists have a moral and social responsibility to deliberately bend more of their efforts toward capital-saving and resource-conserving processes. Ideally, of course, the scientific spirit, like the Holy Spirit, "bloweth whither it listeth" and mankind is supposed to profit from this pursuit of what Thorstein Veblen once called "idle curiosity" only in its accidental results.

Our problems today, however, are too pressing to be allowed to remain at the mercy of accident. The urge to pure research must discipline itself in the direction of those tasks that promise most to mankind in the way of conserving the scarce resources with which nature and our own ingenuity and past sacrifices have endowed us.

Businessmen and Bankers

The second key figure in our society is the businessman, the entrepreneur. It is he who organizes production. Under present circumstances the entrepreneurial function is most often exercised by the management of great corporations. It is to be presumed, of course, that entrepreneurs, great and small, operate in response to the profit motive. Even so they may still have the option of using their talents in direction that conserve capital and other resources or of expending them on wasteful and extravagant ventures. For the sake of the future of our free economy, entrepreneurs should throw the weight of their influence against all waste and extravagence and in favor of the most economical use of the resources over which they have disposal.

I think, too, that my friends the bankers have some part to play in this task of forestalling the worst results of this tendency for population to outrun the means of sustaining it. The banker's function is essentially a critical function. It is he who decides how the not unlimited supply of credit is allocated as among the various demands for it. He is therefore in a position to exert a definite influence over the direction in which credit flows. It is part of his social responsibility to see that credit is used to increase the ability of the economy to sustain the life of the population, and not merely to facilitate the squandering of our resources in trivial and often unnecessary consumption by a thoughtless public.

Warns Against Inflation

The rest of us, too, may also do something in this common task. We can relearn, if we try, the virtues of frugality and saving. If the army of babies that even now looms over the horizon is to be fed, and clothed, and housed, and educated, and set to work on at least an equal technical level with the present population, both industry and government are going to need all the savings they can lay their hands on. If we fail, as individuals and as corporations, to save the needed amounts voluntarily, the clamorous demands of the public for the things they need will bring about a kind of forced saving by the road of inflation. This, however, is no remedy at all. It is an illusion. We cannot eat, wear, or live in depreciating dollars. The scarcity that is already afflicting us is not a scarcity of money, but rather a scarcity of resources. There are not even now enough physical resources for us to do everything we want to do at one time. Unless science can pull off more miracles than now seem probable, this scarcity of physical resources *vis-a-vis* the demand for them by a rapidly increasing population will be much greater in the future than it is now.

The vision of Adam Smith has indeed had its fulfillment in the inordinately productive industrial superstructure that businessmen have erected on foundations laid by the scientists. The brightness of that vision, however, is even now somewhat dimmed by the shadow of Thomas Malthus. There is a danger that the coming hosts of babies may engulf us in the end unless we bestir ourselves in time. We are apparently caught, or will soon be caught, in a race between productivity and reproductivity. The improvement or deterioration in our standard of living in the years to come is going to depend upon the outcome of that race.

New Wiles Branch

HOUSTON, Tex.—Wiles & Company has opened a branch office at 3403 South Main Street, under the direction of Finis Cross.

With Allen Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Clarence J. Taylor has joined the staff of Allen Investment Company, Mile High Center.

Business Outlook in 1957

Cleveland Trust anticipates total goods and services expenditures to exceed that of 1956, particularly in consumer spending, Federal, state and local government outlays, and new-plant and equipment spending. Sees a period of world tensions for some time to come and expects this to provide more than the usual number of uncertainties for the coming year.

By analyzing major components of total expenditures for goods and services, and assuming no full-scale war will develop and a 2% price inflation, Cleveland Trust Company's current "Business Bulletin" concludes the economy in 1957 will run ahead of 1956.

The "Bulletin" states, as we approach 1957, the business engine has enough steam to keep it rolling at or above its present pace for the near term. Total unfilled orders on the books of manufacturers have mounted to a very high point. These backlogs will keep steel mills and other important industries busy well into the new year.

"Visibility becomes less clear as we look further ahead. In addition to the usual assortment of 'ifs', new uncertainties have been created by recent developments abroad. As yet the final outcome of events in the Middle East and elsewhere cannot be determined. However, we may be faced with a period of world tension for some time to come.

"If this should occur, our economy would be affected in various ways. For example, Federal outlays for national defense would probably be stepped up. Prices of world raw materials would tend to rise; in fact some have already done so, such as rubber, tin, wool, sugar, and cocoa. Inventories of raw materials might be built up in anticipation of possible further price increases.

"Meanwhile the oil shortage in Western Europe has increased the demand for Western Hemisphere oil, and for additional tankers. Larger purchases of oil in the United States by European nations would reduce their dollar reserves available for buying other items. The construction of more tankers for the long haul of Middle East oil around the Cape of Good Hope would require more steel plates, already in short supply.

"These are some of the things to watch during the coming months. Others include the cost and availability of credit; keener competition resulting from the addition of new industrial capacity; possible consumer resistance to higher prices; and the trend of profit margins."

Expenditures for Goods and Services

"One way of arriving at an estimate of overall business for the year 1957 is to consider the prospects for outlays for goods and services. The first four sections below deal with major components of the total volume of spending. In addition, residential construction and automobile output are treated separately because they were the principal laggards in 1956. In making estimates for 1957, it is assumed here that international tension may be greater than in most of 1956, but that no full-scale war will develop. It is also assumed that the general level of commodity prices will average around 2% higher, and dollar figures will be affected accordingly."

Consumer Spending

"Personal consumption expenditures are the largest single element in our economy, for they make up nearly two-thirds of all outlays for goods and services. The following table gives the figures for the first nine months of 1956 and 1955, at the annual rate.

Personal Consumption Expenditures First Nine Months at Annual Rate

	1956		1955	
	Amount Billion $	% of Total	Amount Billion $	% of Total
Durable goods	$33.7	12.8	$35.7	14.2
Nondurable goods	132.3	50.1	125.2	49.6
Services	98.1	37.1	91.2	36.2
Total	$264.1	100.0	$252.1	100.0

"A notable feature of the table is the decline in purchases of durable goods in 1956, both in amount and as a percent of the total. This was due chiefly to the drop in automobile sales. Spending for nondurables and services increased. Total outlays advanced $12 billion at the annual rate, some of which resulted from higher prices.

"With an improved automobile market in prospect this year, spending for durable goods as a whole is likely to show a fairly substantial rise in 1957. This group's proportionate share of the total may also increase, in contrast with the drop in 1956.

"The public's outlays for nondurable goods and for services have climbed steadily in recent years. The former includes such articles as food, clothing, gasoline, and tobacco. Services cover a wide variety of items like rent, utility bills, medical care, laundry and dry cleaning, and public transportation. The uptrend in nondurables and services can be expected to continue in 1957. For total personal consumption expenditures, a rise of about 4% is probable for 1957 over 1956."

Government Purchases of Goods and Services

"Outlays under this heading account for about 20% of all spending for goods and services. They were at an annual rate of $79.1 billion for the first nine months of 1956, as compared with $76.3 billion in the same 1955 period. The increase occurred in spending by state and local governments, which rose from $29.8 billion to $32.6 billion. Federal outlays were unchanged, being at an annual rate of $46.6 billion in both periods.

"The official Federal budget estimates for the fiscal year 1957, as revised last August, indicate a small advance over 1956 in defense spending and a larger one for all other types combined. However, in view of present world conditions, it seems likely that national security expenditures will climb above earlier expectations, perhaps by more than $2 billion for calendar 1957.

"In all probability, spending by state and local governments will be greater next year. A considerable portion goes for highways, schools and other public works. Financing of a few such projects have been postponed because of higher interest rates, but total outlays have mounted steadily in 1956. In the November elections, voters approved a record amount of new bond issues for various kinds of projects. And a joint report by the Department of Commerce and Department of Labor forecasts an increase of $1.6 billion, or 12%, in public construction in 1957, based partly on larger physical volume and partly on higher construction costs. Highways, hospitals, schools, and virtually all other types of public works are expected to share in the rise."

Business Spending for Plant and Equipment

"Capital expenditures by business concerns have furnished powerful support to industrial activity in 1956. The Government estimate released in December puts the total for this year at $34.9 billion. That is by far the largest on record, and is 22% above the 1955 figure of $28.7 billion. Higher costs of construction and materials have been a factor, but the greater part of the rise has been in physical volume. By quarters, the seasonally-adjusted figures mounted steadily from an annual rate of $31.5 billion for the fourth quarter of 1955 to an estimated $37.3 billion for the final three months of 1956.

"This exceptional jump during 1956 will not be repeated in 1957. Some companies have about reached their short-term objectives for expansion of capacity. The higher level of financing costs may bring some reduction in spending plans—though the effect so far has been small. Outlays in 1957 will start off well above a year earlier, but the quarterly trend is unlikely to show the marked rise which characterized 1956. Probably the total spent in 1957 will be from 5 to 10% more than in 1956."

Inventories

"The total dollar value of business inventories has been moving up steadily, partly because of higher prices. At the end of September, stocks in the hands of manufacturers, wholesalers, and retailers amounted to $86.4 billion, after seasonal adjustment. This compares with $80.0 billion a year earlier and $82.1 billion at the close of December, 1955.

"Sales have likewise shown an upward trend, but at a slower rate than that of inventories. Consequently the ratio of inventories to sales (stocks at end of month divided by sales during month) has advanced from 1.54 for December, 1955, to 1.60 in September of 1956. While the latter is not unduly high, the trend of the ratio from here on will bear watching. Twice in the past 10 years, in 1949 and 1953-54, stocks on hand became out of line with sales. The subsequent change from inventory expansion to contraction was a leading cause of the business recessions of those years.

"For the near future, continued high business activity and the rising trend of prices indicate some further increase in the dollar amount of total inventories. Also, the uncertain world situation may stimulate forward buying. The average level of inventories in 1957 should exceed that of 1956, though accumulation may not persist throughout all of 1957."

Home Building

"Residential building has been slipping since the Spring of 1955. The number of new nonfarm dwelling units started in 1956 will be slightly above 1,100,000 as against 1,329,000 in 1955. In dollar value the drop in construction has been less marked, because of the rise in building costs and the trend toward bigger and more expensive types of homes. Tighter mortgage credit has been a major factor in the decline. Also, the disappearance in most areas of the acute shortage of living space has removed an element which furnished a strong push to home building in the earlier postwar period.

"No vigorous revival of residential construction appears likely in the near future. Mortgage credit continues tight, and contracts awarded (which precede actual building) have not been showing an upturn, after seasonal adjustment. The prospects are that the number of new starts in 1957 will be from 4 to 8% under 1956; and that the dollar amount of new residential construction will show a smaller percentage drop. This would not mean a 'depressed' level, since the decline is from a very high point reached early in 1955."

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(1) Private business will up its spending for plant expansion and equipment by $5 billion.

(2) Government spending will rise by $4½ billion, with the Federal Government accounting for $1½ billion of the increase and state and local governments $3 billion.

(3) Consumer expenditures are likely to increase by $10 billion.

(4) New housing starts will decrease slightly, totaling about 1,050,000 for the year compared with 1,100,000 for 1956.

The economists note that "despite full employment and high incomes, consumer spending has not risen in 1956 at nearly so rapid a rate as in 1955." That year the public upped its spending by $18 billion. This year the increase was only $11 billion.

"Consumers appear to be in a quite conservative mood — disposed more to recover from the indebtedness incurred in 1955 than to embark on a new spending spree."

But the Prudential economists say that while the predicted rise in the public's spending during 1957 may properly be described as a "restrained" increase, they conclude:

"It is obvious that a $10 billion increase in spending from this segment, coupled with heavy spending elsewhere in the economy, will provide powerful ammunition both for increase in output and increases in prices."

Boyd Inv. Co. Formed

WINTERVILLE, N. C.—Robert E. Boyd is engaging in a securities business from offices here under the firm name of Boyd Investment Company.

Venture Secs. Corp.

PHILADELPHIA, Pa.—Venture Securities Corporation has opened an office in the Provident Trust Building to engage in the securities business. Arden Yinkey, Jr. is associated with the office.

Provincial Am. Branch

MIAMI, Fla.—Provincial American Securities, Inc. has opened a branch office in the Roper Building under the direction of Herman Hoffman.

Record 1957 Business Year Seen Possible

First National City Bank finds continuation of present rate of activity would make 1957 the best year on record; believes there will be a switch from rapid growth to a leveling off of capital outlays; fears upward pressure on prices will continue into 1957; and calls attention to the problem of prolonging prosperity by restraint and wise management.

Noting that except for indications of rising price trend, the First National City Bank of New York, in its January "Monthly Letter," observes that "the economy enters 1957 in much better shape than it started in 1956." The "Letter" in analyzing the strong and vulnerable prospects confronting the economy points out that "the key to the resilience of the economy in 1956 was the capital goods boom. It is likewise the key to the 1957 outlook. During the past year and a half, rising costs and stiff competition have stimulated nearly every major industry to increase its capital outlays. Businessmen have shown increasing awareness of the need for expansion to serve growing markets, for modernization as a means of saving labor and cutting costs, and for long-range planning of plant and equipment needs. . . .

"In 1957, according to a recent McGraw-Hill survey, businessmen expect to spend 11% more on plant and equipment than in 1956. Other surveys, both private and government, support this finding. Since the current rate of capital outlays is roughly 8% greater than the average 1956 rate, business can achieve the goals anticipated in the McGraw-Hill survey with only a small increase over the current figure.

"It is doubtful that labor and materials could be found for a greater increase in capital spending in 1957. Necessarily business firms must tailor their plans to fit the cloth. During the greater part of 1956 they could not complete new facilities as rapidly as they had planned. Output and construction were bumping against the ceiling of capacity. Shortages of steel plates, structural shapes, and other critical items delayed deliveries by plants with orders well in excess of capacity, and difficulties in arranging financing limited what could be done. Doubtless they will continue to do so in 1957.

A Leveling Off

"Thus, a switch from rapid growth to a leveling off of capital outlays seems indicated. This need cause no dismay. A leveling off of the current rate would still produce a record-breaking investment total for 1957 and provide strong support for the economy. The same forces which are trimming the peak off the boom are also prolonging it by deferring demand to a later period. McGraw-Hill, in its survey, found that approximately $2.7 billion of 1956 investment plans had been carried over into 1957 for various reasons, and some 1957 plans already have been put off until 1958. They found little evidence of cancellation or abandonment.

"In other words, demand for capital goods has not subsided, but it is being spread out more evenly.

Flattening Out the Boom

"Such a flattening out is all to the good. It increases the possibility of a long, flat crest to the capital goods cycle, thus avoiding the dislocations which accompany a rapid contraction of demand. It also relieves some of the pressure on prices, which would otherwise accentuate the boom and bust pattern.

"Already price increases have exaggerated the upswing in plant and equipment and added to the demand for investment funds. As much as one-third of the 22% increase in capital outlays from 1955 to 1956 represented higher prices. Between the insistent demand and the push of higher labor and material costs, prices of producers' finished goods were about 8% higher in 1956 than in 1955, and construction costs on private nonresidential projects were up roughly 5%. In estimating their 1957 plant and equipment outlays, businessmen allowed for further price increases averaging 6%—more than half of the over-all increase of 11% which they anticipated.

"The advance in prices would have been greater had it not been for the restraint exercised by the monetary authorities. By dampening money and credit expansion, the Federal Reserve Board has been endeavoring to hold the demand for investment goods more closely in line with capacity to produce them, and thereby restrain the bidding up of prices for the available supplies. Claims that the Board has set its face against economic growth and that the economy will be throttled by tight money, however, find no support in the foregoing evidence.

Characteristics of the 1957 Economy

"Many of the preceding comments on the capital goods outlook apply equally to the general business outlook. Over-all employment and production are nearly as high as is economically feasible, limiting this year's gains largely to the growth in the labor force, industrial capacity, and productivity. Yet continuance, on the average, of even the present rate of activity during 1957 would make this year the best on record.

"The development of a long and generally flat crest at a high level would not be unprecedented. The industrial production index remained virtually level for about two years in 1950-52 and for even longer in the middle twenties. In an economy pressed against the ceiling of capacity, over-all stability can conceal major shifts in demand, such as the shift from consumer goods to defense production in the early fifties and from automobiles to capital goods in 1956. If, contrary to current expectations, demand for plant and equipment should slacken in 1957, the steel, manpower, and long-term investment funds thus made available could be put to good use, though probably with a lag, in homebuilding or in schools, highways, and other public works.

"It is also possible that the dollar volume of business may advance appreciably in 1957, despite relative stability in physical output, thus creating an illusion of prosperity through price increases. During 1956, the over-all stability of prices which had prevailed since 1952 was upset as wholesale prices advanced 4% in the course of the year and consumer prices went up 2.8% between February and November.

Price Rise Expected

"Pressure on prices will continue into 1957. Labor costs are already slated to rise. The U. S. Bureau of Labor Statistics reports that in the current year five million workers will get automatic wage increases—mostly 5 to 11 cents per hour—under contracts signed in 1955 or 1956. In addition, roughly 3.8 million workers will automatically receive raises geared to increases in consumer prices. A cost of living raise of 3 cents per hour for steel workers on Jan. 1 is expected to set the stage for steel price increases which in turn will work their way through the economy.

"In other respects, the economy enters 1957 in much better shape than it started 1956. Automobile production and farm income appear to be on the upgrade once again. Automobile dealers and steel users successfully worked down the heavy stocks that they piled up in early 1956. The number of new homes started appears to have stabilized at a lower rate, at least for the present. Backlogs of orders for durable goods, at latest reports, were 17% higher than a year earlier. Retailers emerged from a record-breaking Christmas season with expectation of sizable year-to-year increases in the months ahead. Federal, state, and local government purchases of goods and services in 1957 are expected to be $4 billion to $6 billion higher than in 1956, according to Grover Ensley, executive director of the Joint Economic Committee of Congress. All told, the high level of activity and the atmosphere of confidence in nearly all lines promise to send 1957 off to a running start.

Too Good to Last?

"The problems of prosperity—rising prices and wages, tight money, bottlenecks in labor and materials, rising inventories, and debt expansion—also persist into 1957. There are two ways of looking at these problems. One is that they emphasize the inflationary dangers and the need of restraint. The other is that they are the traditional symptoms of advanced stages of business upswings.

"Dating from the summer of 1954, the forward movement has now lasted two and a half years—with adjustments in particular lines, to be sure, but without a significant general reaction. By historical precedent, this is a fairly long upswing, but not exceptionally so.

"Booms generally contain the seeds of their own destruction. Investments in plant and equipment in specific lines may temporarily increase capacity more rapidly than consumption rises. When this happens in marked degree competition intensifies, markets favoring sellers change to markets favoring buyers, profit margins narrow, and both the incentive and the means to expand capital programs are diminished. Meanwhile debts rise and liquidity declines. Inventory accumulation eventually reaches a peak and no longer adds to total demand. Mistakes and miscalculations are made and maladjustments develop which require a period of digestion and correction.

Downturn Not Expected

"However, the attitude, 'Things are just too good to last,' is not an adequate basis for expecting a downturn. The stresses and strains which usually accumulate in a booming economy and eventually demand correction are not particularly severe as the new year opens. Inventories are high but not burdensome when related to unfilled orders and general business levels. Inventory liquidation would accelerate a decline but seems unlikely to trigger one. Speculative excesses and unsound credit practices are restrained by the tight money policy. Excess industrial capacity is a potential source of worry but, with few exceptions, not a present one.

"From these various facts and sometimes contradictory interpretations, business observers for the most part draw the conclusion that, while the boom may be reaching an advanced stage, signs of a turning point are not much in evidence. In any case there should be no doubt what the problem is. It is to prolong the period of prosperity by restraint and wise management. The path between inflation and deflation continues narrow and precarious. Stability is promoted by restraining inflation, by saving, and by spreading out demand.

"The postwar record of carrying out adjustments while keeping the economy operating at a high level has been remarkably good, particularly in 1956. The whole community—consumers, businessmen, union leaders, and government officials—has an important stake in avoiding and preventing excesses, in checking the growth of debt and speculative inventory accumulation, and in relieving the pressures which come from trying to do too much too fast in the areas where bottlenecks exist in labor and materials."

First Boston Group Offers $125,000,000 Aluminum Debentures

The First Boston Corp. and associates yesterday (Jan. 9) offered $125,000,000 of Aluminum Co. of America 4¼% sinking fund debentures, due Jan. 1, 1982, at a price of 100% to yield 4.25% to maturity.

Net proceeds from the sale of the debentures will be used to retire outstanding short-term bank borrowings aggregating approximately $50,000,000, to restore in part working capital expended for property additions made during 1956 and to pay a part of the cost of construction started in 1956. Future construction expenditures are expected to aggregate $225,000,000 for the year 1957. It is expected that the additional funds needed during this period will be provided from retained earnings, depreciation, reserves for future United States income taxes and bank borrowings.

The debentures are redeemable at the option of the company at general redemption prices ranging from 105.50% for those redeemed prior to Jan. 1, 1958 to 100% for those redeemed on or after Jan. 1, 1980; and for the sinking fund at 100% plus accrued interest.

The company and its subsidiaries constitute an integrated producer of primary aluminum. Their principal operations include the mining and processing of bauxite, an aluminium-bearing ore; the transportation of bauxite to the United States; the production of alumina from bauxite; the smelting of aluminum from alumina; and the making of aluminum alloys and the fabrication of aluminum and aluminum alloys to semi-finished and finished products.

For the nine months ended Sept. 30, 1956, the company reported total income of $658,728,000 and net income of $69,511,000 compared with total income of $634,139,000 and net income of $68,134,000 for the same period of 1955. For the full year 1955, total income was $848,745,000 and net income $87,601,000.

NYSE ¼-Century Club Holding Annual Dinner

The annual dinner of the New York Stock Exchange's Quarter-Century Club will be held today, Jan. 10, in the Grand Ballroom of the Biltmore Hotel.

The Club has a total membership of 460, of whom 66 are retired and 394 are still active.

Average age of the still active members is 48 years and their average period of service is slightly more than 31 lears.

The Quarter-Century Club has 72 active members with 35 years or more of service, 27 with 40 years or more and 9 with 45 or more.

Each of the ten women attending the dinner—3 retired and 7 active—will be presented with an orchid corsage.

During 1956 the Club welcomed 5 employees who completed 25 years of service with the Exchange and, as in the past, each was presented with a gold watch.

Canadian Bank Appoints R. E. Harrison

MONTREAL, Que.—The Canadian Bank of Commerce announced that Russell E. Harrison has been appointed an Assistant General Manager, in charge of the Quebec Region of the bank with headquarters in Montreal.

Russell E. Harrison

Mr. Harrison joined the bank at Winnipeg and following positions at branches in Manitoba, he served successively as Assistant Manager at the main branches in Hamilton and Toronto and Chief Inspector, Head Office, Toronto.

Percy Hampton Johnston

Percy Hampton Johnston, Honorary Chairman of Board of Chemical Corn Exchange Bank, died Wednesday, Jan. 2, 1957, at St. Francis Hospital, Honolulu, after a brief illness, at the age of 76.

Mr. Johnston was born in Lebanon, Ky. on Jan. 1, 1881, the son of William Johnston and Bluford Oliver Johnston. He was married on Dec. 7, 1904 to Belle Rogers of Lebanon, Ky.

Upon graduation from public schools, Mr. Johnston began a colorful banking career as a clerk at the Marion National Bank in Lebanon in 1897. Ten years later, he was appointed a National Bank Examiner and became Chairman of Bank Examiners in the states south of the Ohio River and east of the Mississippi River, and later a National Bank Examiner at large.

In 1913, Mr. Johnston was appointed Cashier at the Citizens National Bank in Louisville where he became Vice-President in 1916. In 1917, he was called to New York City to become Senior Vice-President of Chemical National Bank (now Chemical Corn Exchange Bank). Three years later in 1920, he was elected President. In 1935, Mr. Johnston became Chairman of the bank's board of directors, serving in this capacity as Chief Executive Officer until 1946 when he was elected Chairman of the Executive Committee. In January 1956 he was made Honorary Chairman of the Board.

From 1917 until Mr. Johnston's retirement as Chairman of the Board in 1946, the bank's deposits grew from $37,359,610 to $1,524,160,575, one of the outstanding records in the banking industry for that period and bringing Chemical from 136th to 9th place in size among the banks of the nation. Today Chemical Corn Exchange Bank ranks fourth in the nation with resources of more than $3 billion.

K. S. Covington Opens Office in Spartanburg

SPARTANBURG, S. C. — Kirby S. Covington has succeeded to the investment business formerly conducted by Ward & Covington in the Montgomery Building.

Field & Teeters Formed

ST. PETERSBURG, Fla.—Field and Teeters Investment Co. has been formed with offices at 16725 Gulf Boulevard to engage in a securities business. Partners are Louis B. Field and Bert V. Teeters. Mr. Field was formerly local manager for Gerard R. Jobin Investments, Ltd. with which Mr. Teeters was also associated.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Even though the Government market is still in the doldrums and pretty much of a touch-and-go affair, because of the limited interest in these securities, there is a somewhat improved demand indicated for certain of the intermediate-term obligations. It is reported that maturities are being shortened by investing the funds which have come from the more distant issues in the middle-term obligations. The short-term liquid securities are still in demand, because certain institutional investors are building positions in these securities. Refunding of the special issue of Treasury bills, maturing Jan. 16, with 159-day tax anticipation bills, which can be used for June income tax payments, was not unexpected. Cash subscriptions will also be received.

Long Governments Still Vulnerable

The competitive position of the longest-term Government obligations is improving slightly, but there will have to be considerably more in the way of price adjustments in these securities before they will be able to compete on a comparable basis with the new offerings of corporates and tax-exempt bonds currently being made.

The offering of new securities is in full bloom again, following the lull which took place during the holidays. The corporate and municipal calendars are well populated, and this means that the yields of the new issues which are coming into the market are more attractive to investors than Government obligations. This continues to keep the pressure on most Treasury securities.

The predictions that capital expenditures for 1957 will be more substantial than those of last year, indicates no let-up in the demand for funds from this source whether it comes from public offerings or private placements. It appears to be evident that the first quarter of 1957 will see the demand for credit to be very much on the sizable side.

Lower Demand for Housing Credit Indicated

The tight money situation, according to indications, is likely to have a retarding influence on home building during the coming year, with estimates being made that home starts for the full year will fall short of the million mark. If this should turn out to be the case, then some pressure would be taken away from the money market because of the lessened demand for mortgage financing. Commercial construction is another segment of the demand picture which is not yet showing any evidence of a let-down, although there appears to be opinions around that the demand for funds from this source will not be as large in the coming year as they were in 1956.

Bank Loans for Tax Purposes

Bank loans will have to be watched very closely because the demand for commercial bank credit will also have a very marked influence on the money market. Borrowings to meet mid-March income tax payments will likewise have an effect on the money market. There seems to be somewhat divided opinions as to the extent of these borrowings, with some money market specialists contending that corporations are not likely to borrow as much in 1957 as they did in 1956 to meet the first quarter income tax payments. It is believed by some that corporations are trying to build up balances of cash and short-term securities to meet tax payments. Last year funds originally earmarked for March 15 income taxes went into new plant and equipment. This is not expected to be the case this year.

On the other hand, predictions are being made that loans to meet corporation Federal income taxes on March 15 will be very sizable because many of them are less liquid than they were a year ago. This would mean that the March 15 income tax borrowings would be heavier than at the same time a year ago. If this should be the case, then the squeeze on credit would be a very sizable one.

Competition From Non-Government Offerings

It is evident that as long as the new issue market is to be the leading light in the money market, and that appears to be the situation for the foreseeable future, then the attraction for investors is going to be in the higher yielding corporate and tax-exempt bonds that are being floated. Government securities, with the exception of the shortest maturities which can make the adjustment to changed conditions very rapidly, must continue to compete with the new issues which are coming in for sale.

Accordingly, until there is a change in money market conditions either because there is a slowing down in the demand for funds, or the monetary authorities take some action to ease the restrictive credit conditions, long-term Government bonds will still be on the defensive.

Halsey, Stuart Group Offers So. Pac. Ctfs.

Halsey, Stuart & Co., Inc., on Jan. 4, headed an underwriting group which offered $9,600,000 of Southern Pacific Co. series WW, 4¼% equipment trust certificates, maturing annually Jan. 1, 1958-1972, inclusive.

The certificates are priced to yield from 4% to 4.35%, according to maturity. Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by the following equipment estimated to cost not less than $12,000,000: 27 Diesel freight locomotive units; 6 Diesel switching locomotives; 244 covered hopper cars; 42 trailer flat cars; and 273 boxcars of various types.

Participating in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; Baxter & Co.; Freeman & Co.; Ira Haupt & Co.; Wm. E. Pollock & Co., Inc.; Shearson, Hammill & Co.; McMaster Hutchinson & Co.; First of Michigan Corp.; Hallowell, Sulzberger & Co.; and Mullaney, Wells & Co.

Morgan Stanley Group Underwrites Scovill Mfg. Debs. & Stock

An issue of $10,000,000 Scovill Manufacturing Co. 25-year 4¾% debentures was offered for public sale on Jan. 4 by an underwriting group headed by Morgan Stanley & Co. It was oversubscribed and the books closed.

Concurrently the company is issuing to holders of its common stock rights to subscribe for 176,450 shares of additional $25 par value common stock. The Morgan Stanley group is also underwriting the common stock subscription offering.

The debentures, due Jan. 1, 1982, were priced at 98½% and accrued interest to yield approximately 4.85% to maturity. The debentures can not be redeemed prior to Jan. 1, 1967 as part of a refunding by the application of borrowed monies having a lower interest cost. The debentures are redeemable at the option of the company at 104½% to and including Jan. 1, 1962, at 103¾% to and including Jan. 1, 1967, and thereafter at prices decreasing to the principal amount after Jan. 1, 1979. A sinking fund beginning April 1, 1960, is calculated to retire the entire issue by maturity. The sinking fund redemption price is 100%.

Common stockholders of record on Jan. 3, 1957 may subscribe at $28½ per share for the 176,450 new shares at the rate of one share for each eight shares held on the record date. The subscription offer expires at 3:30 p.m. (EST) on Jan. 21, 1957.

The net proceeds of the combined offerings will be added to Scovill's general funds. The company's capital improvement program calls for expenditures of about $25,000,000 during the next two years, including a major project involving an estimated $8,000,000 for a new tube mill to be built in New Milford, Conn., which will substantially expand the company's line of tube products.

The company is one of the five largest brass producers in the United States. It produces a wide variety of mill products such as sheet, strip, rod, extruded shapes, wire and tube. In 1955 these products accounted for 35% of sales. It has pioneered in the continuous casting of flat bars and cylindrical billets. The company is the principal supplier in the world of certain pneumatic devices, chiefly tire valves, and tire pressure gauges. It is the principal supplier in this country of certain types of straight pins, safety pins, tack-fastened buttons and laundry-proof snap fasteners, and also produces a complete line of fasteners for the apparel trades. The company manufactures among other products, special parts of brass and other metals on a contract basis, plumbing fittings, hose fittings and a line of household electric appliances.

During the ten-year period ended in 1955, Scovill's net sales and other income increased from $63,146,000 to $147,406,000 and net earnings increased from $3,311,000 to $5,508,000.

For the ten months ended Nov. 4, 1956 net sales and other income were $127,006,000, compared to $118,346,000 for the same period in 1955. Net earnings in 1956, before special items, were $4,071,000, and were $4,538,000 in the 1955 period.

Earnings per common share after preferred dividends (based on the average number of shares outstanding during each period) were $3.86 for the year 1955, $3.22 for the first ten months of 1955 and $2.73 before special items for the first ten months of 1956.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

Usually, in discussing earnings leverage in common stocks, we associate the word with the senior securities of a company, its bonded debt and preferred stock. The money which these represent in a company is assumed to have earning power over and above whatever amount is required to service these senior or prior issues, and that the overplus goes to the benefit of the holder of the common stock either as dividends or plowback.

But fire casualty insurance stocks give us examples of leverage that comes about as a result of the companies using the policyholder's money. When a policy is issued, the insured pays the premium usually within 30 days. It may remain in the agent's hands for a short time, but in the regular course it reaches the company. A substantial proportion of it can be allocated to investments (an exception to this may be an unusual period, such as the present, when losses are particularly severe and much new incoming money goes to help pay losses, with less than usual going into the company's investment fund).

But a greater or lesser amount finds its way into the investment market to enlarge the company's portfolio of bonds and stocks. As these funds are received from the policyholder they go into unearned premium reserve. This reserve is set up to receive the money because the policyholder may, usually at his option, cancel his policy, and in this case ask for a return of the unearned portion of his premium. If we can picture a company that writes no business and thus has no reserve for unearned premiums, it will be obvious that its investments, and hence earning power, would be confined to its capital and surplus, or policyholder's surplus as it is called.

Introducing an unearned premium reserve, however, gives the company additional funds to invest at no cost to the company except the relatively small one of operating its investment department. The income from the policyholder's money thus put out at interest, or to receive dividends, goes to the benefit of the shareholder. And, of course, to it could be added a fund of usually lesser amount, the company's loss reserve. This fund, as its name implies, is set up to take care of losses. Many losses are subject to negotiation; and in fact, most of them have to go through the adjuster's hands. But the loss reserve may be invested, and, like the unearned premium reserve, earn income in the interest of the shareholder.

Now, the extent of the leverage factor from company to company varies greatly. A highly conservative management whose volume of premium writings is relatively low in relation to capital funds will, of course, have a materially smaller ratio of invested assets to its liquidating value upon which to depend for income. On the other hand, many units write a larger volume of premiums relative to capital funds and hence have more money available for investment, and, as a consequence, show a greater ratio of invested assets to liquidating value. In other words, their earnings leverage is more potent.

While from company to company there are pronounced differences in the ratio of invested assets to liquidating value, the greatest variance is to be found when comparison is made between the fire companies and the multiple-line casualties. Generally speaking, the latter write a greater volume of premiums in relation to capital funds than do fire units, and, proportionately, this gives casualty companies larger unearned premium reserve funds. Further, the nature of their business dictates that they carry larger proportionate loss reserves than fire companies do; the fire company's loss potential is more easily appraised as it covers property losses, while the casualty companies deal in physical losses to humans largely.

The tabulation gives the ratio of invested assets to liquidating value for a five-year average and for the latest year, 1955, for which complete data are available. This is given to show any trend; however, for the greater part the differences between the two columns are of little consequence. But the tabulation does bring out the differences between the fire companies and the casualty companies. Of course this disparity will tend to shrink as both types of company more and more trespass on each other's lines of business, now that a number of states allow this.

	Ratio of Invested Assets to Liquidating Value	
	1955	5-Yr. Average
Aetna Insurance	1.83:1	1.80:1
Agricultural Ins.	1.43:1	1.48:1
American Insurance	1.54:1	1.58:1
Bankers & Shippers	1.37:1	1.41:1
Boston Insurance	1.48:1	1.49:1
Continental Ins.	1.27:1	1.32:1
Federal Insurance	1.37:1	1.34:1
Fidelity Phenix	1.27:1	1.33:1
Fire Association	1.52:1	1.53:1
Fireman's Fund	1.68:1	1.79:1
Firemen's, Newark	1.85:1	2.00:1
Glens Falls	1.74:1	1.78:1
Great American	1.41:1	1.48:1
Hanover Insurance	1.40:1	1.48:1
Hartford Fire	1.66:1	1.65:1
Home Insurance	1.38:1	1.45:1
Ins. Co. of No. Amer.	1.36:1	1.41:1
National Fire	1.67:1	1.62:1
National Union	1.47:1	1.55:1
New Hampshire	1.60:1	1.58:1
Northern Insurance	1.34:1	1.35:1
North River	1.27:1	1.25:1
Pacific Fire	1.31:0	1.39:1
Phoenix Insurance	1.32:1	1.34:1
Providence Wash.	2.25:1	2.08:1
St. Paul Fire	1.50:1	1.61:1
Security Insurance	1.85:1	1.78:1
Springfield	1.44:1	1.52:1
United States Fire	1.29:1	1.31:1
Westchester	1.30:1	1.32:1
Aetna Casualty	1.93:1	2.20:1
American Re Insur.	2.21:1	2.27:1
American Surety	1.89:1	1.94:1
Continental Casualty	1.83:1	1.88:1
Fidelity & Deposit	1.23:1	1.27:1
Mass. Bonding	2.40:1	2.50:1
Seaboard Surety	1.18:1	1.29:1
U. S. Fid. & Gty.	1.88:1	1.88:1

Continued from first page

As We See It

and feelings of backward lands. "The white man" usually has gone into the wilds, taken what he wanted and given no thought to the original owners at all, even, if upon occasion, it has almost seemed that way. However, concern for the native has usually taken secondary place to the interests of the invader and to the attitude of imperialistic rivals. The wishes or the preferences of the natives of colonialized areas were virtually never controlling when rival imperialists were maneuvering for prizes. "World opinion" either did not exist or was indifferent or even favorable to what was going on.

Evolution Has Been Revolution

Evolution in such relationships among the peoples of the earth has been almost if not quite revolutionary in the past half century. These changes have by now radically altered the situation, as Britain and France, both first rate colonial powers of the 19th century, learned to their dismay when they recently went into Egypt in a way that would have been taken as a matter of course a century or even perhaps a half century ago. It is now clear that there is such a thing as "world opinion" particularly if one or more of the great powers is willing to crystallize it and support it.

The days have gone when a great power or even a coalition of great powers can proceed as they wish in territories inhabited by so-called backward and weak peoples without arousing animosity and enmity more or less round the world. Nor can they as a rule do any such thing and expect full support at home. At least all this is true of what we term the "free world." For the time being such behavior does not arouse opposition among the despotisms we term communist nations, but even they feel the necessity of disguising what they are doing and even they find it necessary or wise to use all their guile to conceal the real nature of their acts. The recent events in eastern Europe raise a question whether even they can continue very much longer to impose their will upon so-called satellite peoples in the degree that has been common in recent years.

Thus the old, old struggle for primacy in the Middle and Far East must in a measure never before known be a battle for the minds of the natives. If the Kremlin is to be stopped from becoming dominant in these regions, particularly in the resources rich Middle East, it will have to be done by convincing the peoples, or at least many of them, of the unwisdom of permitting Russia to enter the picture as the controlling force there. It is no longer feasible merely to bargain or to partition territory or to threaten or even to make war on the Kremlin. None of these are likely to be effective—at least not without prohibitive cost. If the Middle East populations or their leaders are not willing to do what is necessary to protect themselves from the Kremlin or to permit other nations so to protect them, then the battle is at least half lost before it is begun.

And into such a contest most of the Western powers go carrying a frightful handicap, or several handicaps. In the first place, the Kremlin is organized and has had long practice in international intrigue and propaganda, and is able to close the mouths of critics within its borders. It is master of Hitler's big lie technic, and it has no scruples whatever about using it. Again, such countries as Britain and France stand suspect throughout these regions as a result of their status, or former status, as "colonial powers." They are still, and quite possibly always will be, outright imperialists in the minds of peoples who have been subject to them through the decades, even centuries. All this, of course, is well known and understood by the Kremlin, which can be counted on to take full advantage of it.

Our Own Status

The United States has engaged in imperialism in relatively slight degree—that is, after our home territory was wrested from the Indians. We have retreated from such aggressive steps as we took at earlier dates. We profess to have no imperialist ambitions, and no doubt we really mean what we say. Yet in one degree or another we stand suspect in the Middle East and the Far East. The reasons are not far to seek. In light of our experience, particularly with Japan, during World War II we have felt it necessary for the sake of our own safety to have bases and airfields round the globe. Many of these countries whose good will and trust we now seek, as well as the communist lands, are ringed about with such bases and such airfields, which mostly are thousands of miles from us and from any area interests we admit having.

We, too, have all along been very closely associated with the so-called colonial powers so much distrusted in many of these areas. To some, at least, our support of Britain and France has seemed to indicate our support of their colonial interests and the like. Our action when Egypt was invaded by Britain and France is said to have somewhat allayed the distrust to which we are subject in these parts of the world, but the reported reactions to the so-called Eisenhower Middle East policy and program clearly indicates that distrust of us can be very easily aroused in the Middle East still. Facts such as these doubtless weighed heavily with the Administration when it was formulating Middle East policy, and they doubtless are now much in the minds of members of Congress now called upon to place their stamp of approval upon the program of the Administration.

Internationally, it is a difficult era in which we live.

Continued from page 12

We Cannot Walk Away From World Economic Problems

cent advertisements in our own trade journals offering good quality producing and refining equipment for sale anywhere in the world, P.O.B. Moscow.

In the Western Hemisphere too the signs of this economic penetration are becoming plain. Soviet trade missions eagerly offer to take goods we cannot absorb and in return to supply South American markets with products which we would like to sell. In addition to heavy machinery and other capital goods, these include such retail items as cameras and household appliances. In Buenos Aires the cheapest automobile you can buy is a Russian import. Bringing this economic offensive even closer to home, in Cuba—a half hour's flying time from the United States mainland — motorcycles made in Czechoslovakia are at this moment capturing the market from British, West German, and American products.

It is aggravating enough for our own businessmen to lose these markets, of course, but the significance goes much deeper than that. Soviet economic penetration, unlike our own businesslike dealings with the world, is looked upon by the communists as only the beginning. With their commercial foot once in the door, communist agents play cynically upon local nationalistic feelings to the disadvantage of the West. At the same time, their "easy" terms which seemed so attractive at the beginning of commercial relations turn out to be filled with barbed hooks. Thus, those countries which most need to develop internal strength to build up their economies find themselves increasingly dependent upon assistance coming from Moscow. Some of these nations, I am afraid, have awakened to the situation almost too late and find themselves economic satellites of the Russians without quite ever intending to have that happen.

Do U.S.S.R. Actions Affect Us?

These grim facts lead us to our second consideration—what is the potential effect of such communist economic action upon our own lives? How is the self-interest of the American businessman involved? How is our own country affected?

The most obvious answer is that United States businessmen with overseas interests, or those engaged in international commerce, are going to feel the pinch if this economic penetration continues. That is quite evident but it is only half the story. It seems to me that the interest of every American businessman is affected by these developments, and the present situation in the Middle East is a good illustration.

What has happened there during the past weeks almost has more serious economic implications than political ones. Over half of Western Europe's oil supply has been shut off or denied its normal routes, making necessary the diversion of some of that oil to other, more lengthy trade channels and the replacement of much of it from sources in the Western Hemisphere, principally the United States. Fortunately, because of the fact that surplus producing capacity exists here, we can probably fill much of the gap.

Ability to Meet Oil Needs

Rearrangement of the world pattern of oil-flow poses formidable problems for American oilmen, but I am reasonably confident the problems will be solved in large measure. The flexibility of the oil industry, and the experience and resourcefulness it has demonstrated in previous emergency situations, provide hopeful assurance to the oil consumers most directly affected by the stoppage of oil movements through the Suez Canal and through one of the major Middle East pipelines. Just as soon as deliveries of oil to Europe from accustomed sources began to decline, shipments from the Western Hemisphere stepped up. With the recent reactivation of the Middle East Emergency Committee in the U. S., the shipments are mounting still further.

Most of the additional oil going to Europe from the Western Hemisphere originates in the United States. In this connection, it should be realized that the pattern of oil movements inside the U. S., and from our country to consumers abroad, is well established and involves a continuous flow of oil and its products in tremendous volume. Naturally, altering this pattern is a task of tremendous size. The American oil industry at the request of our government is applying itself to the task with determination and vigor.

To give an idea of the kind of specific action required, one of Jersey's affiliates has reversed the flow of a pipeline previously carrying refined products inland from the Gulf Coast and is now using it to bring crude down to the coast. Other affiliates are studying the possibility of taking oil from points as far inland as Montana to the Mississippi River, thence to the Gulf Coast by barge. Other extraordinary movements of crude to deep water are being carried out despite the added expense. Meanwhile, existing stocks of crude and products at or near seaports are being drawn upon to help meet the situation.

The movement of the oil is a bigger problem than availability of the oil itself. This involves not only transportation from producing fields in the U. S. to deep water, but also ocean transportation from the U. S. to points abroad. Tankers are the crux of the latter job. It should now be possible, through the work of the MEEC, to use available tankers in the most efficient manner as, for example, by avoiding cross-hauls — that is duplication of tanker voyages — and allocating ships to the most effective runs. Our affiliates are making every effort to have cargoes promptly ready at seaports when tankers arrive, and the ships are losing no time in taking on loads.

Will Cover 80% Required

Estimates are that the oil industry may be able to provide from the Western Hemisphere enough oil so that, when added to what can be moved from the Middle East, up to 80% of Western Europe's normal needs will be covered as long as the present situation continues.

The main tanker bottleneck cannot be removed unless the Canal is cleared and the sabotaged pipe lines repaired. Dollar shortages will shortly become a serious limitation, however, and even under the best conditions it seems that Western Europe has had a serious economic setback. If these conditions persist very long the effects on us as American citizens and American businessmen can be very serious, too. Our NATO alliance is one of the key factors in our national security program, and if our NATO allies become economically weak our own security is jeopardized. We cannot allow this alliance to collapse even at the cost of greatly increased financial aid to these countries. The decline of our international trade will affect many American businesses both as to export of manufactured goods and import of raw materials.

To oversimplify considerably, it seems to me our Middle East problems are all parts or phases of our one big problem—and that is the threat of communism to the free world. If the communists would be willing to stay where they are, and leave the rest of the world alone, I believe the rest of the world would breathe a sigh of relief and settle down to the business of progress and better living. But the record is written clear for all to see—that communist leaders are unwilling to let any other form of government or society exist on this earth if they can prevent it. Their system must prevail, or else. From Marx and Lenin, through Stalin to Molotov and Khrushchev this creed persists. Sometimes the pattern is hot war; sometimes cold war; sometimes economic war; and always subversion, penetration, political infiltration, and unrest. Part of their technique is an uncanny ability to seize upon matters of local unrest which basically have no relation to communism, and stir these up to cause troubles which may afford an opportunity for further communist infiltration.

The situation in the Middle East is a classic example of this. The Arab world for many years existed in a semi-colonial, dependent, or mandated status with regard to some of the major European powers, particularly Great Britain and France. After World War II a surge of feeling for freedom from dependency and freedom for development and self-expression swept over the peoples of the world's under-developed nations. This feeling was recognized by the major powers, but not acceded to very readily, and as a result bitterness and hard feelings developed, and "nationalism" and the desire to "satisfy national aspirations" and "exercise sovereignty" grew rapidly. In every case communist agents stepped in and fanned the flames. Every trouble spot around the

world in the past 10 years shows this pattern. Russian influence in Egypt grew rapidly in the past few years, and undoubtedly emboldened Nasser to take action involving the Suez Canal. Russian influence is now being aimed at other countries in the Midle East. This is the background against which the United States must try to exercise its leadership to restore peace and stability to this area.

Praises U. S. Policies

Our government's policy has so far been to approach the problem through the medium of negotiation. It encouraged, and in fact took the lead in organizing, the Suez Canal Association for the purpose of negotiating a settlement with Nasser. When this approach was rejected by Nasser, the matter was brought before the United Nations. That body endorsed the negotiation approach and outlined six basic principles which it felt should be considered as the framework for negotiation. Before there was time to ascertain the effectiveness of this UN action the British-French-Israeli attack on the Canal occurred. During the past few weeks our government has consistently been taking the position that the British, French and Israeli troops should withdraw from Egypt, that the UN should put in a body of troops to keep order until tempers cool down and negotiations can begin in a calmer atmosphere. It is also urging that the UN take the lead in clearing the Canal. This general approach seems to me to be a sound one and to offer the only real hope for settling this most difficult problem on any lasting basis. It is to be hoped that the nations principally involved in the Suez problem will arrive at this same conclusion and sincerely try to work out a solution in the near future following the general principles set forth in the UN resolutions.

In the meantime other disturbing aspects have arisen in the area. Agitation in Syria has reached a dangerous pitch and is being felt in the neighboring countries also. The long standing Arab-Israeli feud is more tense than ever. It seems to me that until this situation is resolved peace and stability in the Middle East are not attainable, and that the United Nations must face up to this problem with every resource at its command. Our own government recognizes this fact, I am sure, and has several times offered to use its maximum efforts to assist in a solution of this problem.

These three problems, the Suez Canal, the Arab-Israeli feud, and communist infiltration in the Middle East countries, constitute a difficult and dangerous package to deal with, but I believe our government is doing a good job under the circumstances, and that there is reason to hope that these problems will ultimately be settled on a satisfactory and peaceful basis. We, as American citizens and American businessmen, all have an important stake in their settlement.

This is definitely not a problem we can walk away from and say "well it doesn't concern me." As a matter of fact we are pretty much at a crossroads. If we move wisely and firmly in the right direction we can—after a bit of bumpy travel — go on down the road to world peace and a better life for all the free world. A serious mistake now, or even inaction, can result in chaos, loss of our allies, communist domination of a vital area of the world, and even war. The impact of these things on Tulsa—while it may be a little slower to come—is just as inevitable as it is on any part of our country, and in the long run has just as serious implications.

What Can Business Do?

What can we as businessmen do about it? Certainly we can be aware that problems in other parts of the world do have a very direct and personal relationship to us as citizens and businessmen. We can think about these problems, try to understand and analyze them, and, as far as we can, try to help our government meet them by making our views known. In looking at our own business and political problems we can think of them in relation to the impact of foreign events upon our own affairs.

I am sure that if millions of Americans start thinking seriously about the possible effects of foreign problems on their own lives and businesses, we will develop a force in this country which cannot fail to be felt everywhere in the world. A widespread idea exists in foreign lands that Americans generally care little and know less about what goes on in the rest of the world. In our own interest we must change that thinking.

Our foreign policy must be clear; it must be fair; it must be firm; and it must be supported by all our people. Only thus can the United States meet its obligation of supplying leadership for today's troubled world, and in the final analysis ensure our own prosperity and protect our national security. Everyone of us has a stake in America's future.

Bache Company Appoints Milton Jacobson

Bache & Co. has announced the appointment of Milton S. Jacobson as Resident Manager of their branch office located at 333 Seventh Avenue, New York City.

Mr. Jacobson has been an executive of Bache & Co. for the last five years, supervising administration of investment accounts at their 40 Wall Street headquarters. He was formerly Vice-President of Fitch Investors Service, an organization he served more than 20 years. It was during this period that he wrote the history and commentary "Investment Advisory & Statistical Services."

A graduate of Columbia College, Fordham Law School, and New York University's Graduate School of Business Administration, Mr. Jacobson also is a member of the Bar of New York State.

An active participant in current community activities, he engaged extensively during World War II in fund raising campaigns of the American National Red Cross and the Boy Scouts of America, and has been awarded the Boy Scouts' "Oscar" for outstanding performance as Community Chairman.

Chicago Analysts to Hear

CHICAGO, Ill.—John A. Krey, Vice-President of the Reynolds Metals Company, will be speaker at the luncheon meeting of the Investment Analysts Society of Chicago on Thursday, Jan. 10, to be held in the Adams Room of the Midland Hotel.

New E. F. Hutton Branch

MEMPHIS, Tenn.—E. F. Hutton & Co. have opened a branch office at 167 Union Avenue, under the management of Otis A. McFall. Mr. McFall was formerly local manager for Carl M. Loeb, Rhoades & Co.

Coughlin Co. Incorporated

DENVER, Colo.—Coughlin and Company, Incorporated, has been formed to continue the investment business of Coughlin and Company, Security Building. Officers are Walter J. Coughlin, President; Edward B. Coughlin, Vice-President and Secretary; and Wallace B. Westerman, Treasurer.

Alexander P. Dann

Alexander P. Dann, partner in Vietor, Common, Dann & Co., passed away Jan. 1.

Securities Salesman's Corner

By JOHN DUTTON

"20 Objections and Evasions Heard by Mutual Fund Salesmen"

The current issue of Modern Security Sales, a service published by Kalb, Voorhis & Co., members of the New York Stock Exchange, and edited by Ferd Nauheim, which is available to those interested in training salesmen to sell mutual funds, has an interesting idea for a sales meeting. Twenty objections met by mutual fund salesmen themselves are proposed and the idea for sales training is that the salesmen themselves should come up with the best answers. Here is the first ten objections contained in the list and we offer some of our own answers as a contribution for this week; the remaining ten will be treated similarly next week.

(1) I think the sales commission I'm asked to pay is outrageous. Who ever heard of paying 8% to 8½% to buy securities.

There are several approaches to this one, mutual funds are a **method** of investing offering many advantages that cannot be obtained otherwise; such as professional investment selection, supervision, diversification, convenience, trusteeship. Elaborate on benefits, don't argue commissions. There is no comparison between an individual security and a **mutual fund,** they are both distinct forms of investment.

(2) I haven't seen any mutual fund give its shareholders any phenomenal rise in values.

Mutual funds have varying objectives. Some strive for long-term growth of capital in keeping with sound investment principles, others such as balanced funds point toward stability of principal and fair return, others have income as their objective. Point out that speculation is one thing, investment is an entirely different matter. Qualify your prospect as to what he wishes.

(3) Oh yes, mutual funds may have done well enough during these lush times we've known in the past ten years, but wait until the market starts in the other direction.

Here again the prospect is confusing a "capital gain" objective with longer term investment results. Over a period of years there will be ups and downs in security prices as there has been in the past, but over a full cycle of ups and downs, the natural growth of the country has averaged better than 3½% a year, and inflationary forces have continued to make their inroads on the purchasing power of money and cash. Soundly managed balanced mutual funds offer a diversified investment in bonds, preferreds and common stocks.

(4) In a bad market, the bigger funds are so loaded with securities they couldn't get out of them fast enough and, if they did, they would drive prices down even more.

Among the principal answers to this argument can be cited the fact that professional fund managers have their money in securities that represent real values and thus are not likely to be stampeded into emotional selling in a declining market as an individual might.

(5) The funds are getting so big today they can't find enough, good sound issues to invest in. They are reaching the point when they have to go to second rate issues to keep themselves fully invested.

This is more of a pseudo objection than one that is real. I would not try to answer this one by statistics although it could be successfully done. That might bring on further argument. I would answer with a question and ask the prospect to explain further. I doubt if he could do it, but regardless, this type of individual obviously wishes to show off his knowledge. After he has had his say, something like this might then be indicated. (Showing the Prospectus.) "There may be a day, Mr. Prospect, when a shortage of good securities will cause some of the funds to look even more diligently for sound investments, but by and large their management is excellent. For example, here is the record and folio of XYZ Fund. These securities have performed well for many years and I am certain that the management of this fund is only too aware of their responsibility — isn't this a good looking portfolio of investments?"

(6) This would be a terrible time to go into a mutual fund. The market's too high!

The answer here is that no one ever knows when the market is too high. We may be on the verge of another 25% advance in the averages, we may not. In 1956 out of all the stocks traded on the New York Stock Exchange only one out of every three finished the year higher than when the year began; two out of three declined. Professional investment management attempts to select security "values" and over a period of years manage these investments so that the owners of the mutual funds will obtain a fair return, and also preserve their capital and purchasing power. These are the objectives, not trying to outguess the "Averages of the Market."

(7) You people just try to sell shares so that you have a lot of money to play with, and then you churn the portfolio in order to build up commissions for yourselves.

This prospect is laboring under false impressions. Clarify tactfully and show him he has been misinformed. (Prospectus can prove your points.)

(8) I run my own business well. I run my own trading account well. I don't need the mutual funds to do for me what I can do for myself.

Several answers can be used here. One would be to ask him if he has given any thought to the fact that someday his wife might not be able to do the job he has handled so well. Suggest a modest investment to get him started, so that he can see how well the mutual fund manages its portfolio. Another approach might be that he could obtain some excellent ideas by following the mutual fund's quarterly reports. (Some sales have been made in this way for small amounts, and the customers have later developed into large investors in good mutuals.)

(9) I haven't any money saved for investing.

Suggest the monthly investment program and show prospect how he can begin to accumulate capital which he certainly must have if he is ever going to be independent when he is older.

(10) I'd rather put my money in the savings and loan institution where Uncle Sam guarantees it up to $10,000 and I can get 3 to 3½% on my investment. You fellows guarantee nothing.

I wouldn't draw him into an argument about the guarantee, etc. In fact, it might be best to agree that savings and loan institutions are an excellent investment for a **certain purpose.** Point out the difference between such investments which offer dollar stability and those which attempt to offer protection of the dollar's purchasing power, such as common stocks, real estate, mutual funds. Instead of being drawn into an argument, show the value of each type of investment and why it is now necessary for your prospect to consider balancing his investments. Show that he is "out on a limb" when invested only in dollar assets and that a sound program should give him protection against both deflation and inflation.

The answers I have given here can possibly be improved. The objections, however, are those which are heard often. It is suggested in the MSS bulletin that these objections should be studied by fund salesmen and answers developed. I will try to give some suggestions for answers to the other 10 objections in next week's column. Meanwhile, if you are interested, you might also give some thought to them if you are selling mutual funds.

Suggestion

Over the years I have found that you are better off not to try and win arguments. Objections during an interview indicate that you are reaching your prospect. Let him talk. Listen carefully. Show him you respect his ideas no matter if they are not valid. Don't be too quick and too smart with your answers. Get over to the other man's side of the desk. Try and show him you are there to help him **make money, obtain more income, peace of mind, and better himself.** Your attitude of friendliness and consideration for his ideas is often more valuable in gaining agreement than a pet answer to every objection.

But know your business. Don't talk too long. Don't oversell. Keep it short and believe it yourself—otherwise don't say it.

MORE NEXT WEEK

W. T. Olson Joins Weber-Mitchell

ST. LOUIS, Mo. — William T. Olson has become associated with Weber-Mitchell & Co., 411 North Seventh Street, and the firm name has been changed to Weber, Mitchell & Olson, Inc. Mr. Olson was formerly President of W. T. Olson & Co., Inc. and of Olson, Donnerberg & Co., Inc.

Chicago Inv. Women To Hear T. H. Coulter

CHICAGO, Ill. — Thomas H. Coulter, chief executive officer of the Chicago Association of Commerce and Industry, will speak on "Chicago's Future" to the Investment Women of Chicago at their dinner meeting which will be held on Wednesday, Jan. 16, at the Chicago Bar Association.

Mid Century Assoc.

DALLAS, Texas—Mid Century Associates has been formed to engage in a securities business from offices at 2402 Boyd. L. H. Meierant is a principal of the firm.

Arno Talesnik Opens

MT. VERNON, N. Y. — Arno Talesmik is conducting a securities business from offices at 132 N. Ninth Avenue.

N. Y. State Credit Union

New York State Credit Union League, Inc., is engaging in a securities business from offices at 412 Eighth Avenue, New York City. Sidney Stahl is a principal.

Continued from first page

Gold—Strategic Metal of All Time

ment. We are carried backward into old world wars and intrigues by a government which is no longer in a true sense of, by, and for the American people. By a show of being charitable to nations abroad our government has been corrupted to the point where we, as a people, are oppressed by a tax burden which dwarfs into insignificance the tax burden which led our forefathers to revolt against their mother country. We are maintaining an army and bureaucracy all over the non-Communist world. Reports coming back tell of their sumptuous scale of living much to the disgust of foreign people whose favor we are supposed to be courting.

Irredeemable Paper Money and Irresponsibility in Government

The moral approach to problems of the day is considered outmoded. We have a synthetic economy built upon the bubble of a fantastic debt and profligate spending—the former to pay for a past war, the latter largely to prepare for another war which is not yet with us, still a figment of our imagination. There seems to be little concern in high places that our resources are being squandered. There is little concern of how we will pay for actual war, if and when it comes, and our present war machine is by that time probably obsolete. Sacrifice and concern over the future of our great country are apparently for other generations, not ours.

We have a double standard of honesty. The government, as the kings of old, "can do no wrong." It borrows good money from its citizens under a pretense that is questionable in view of the general lack of understanding of money. It has the legal right, and is exercising it, under laws of its own making, to force these same citizens to accept in repayment other promises to pay, which in turn are only payable in other promises to pay, and so on *ad infinitum*. Just try to redeem a $10 bill "in lawful money," as is promised in the fine printing on its face and see what the answer is. In a case where this has been attempted the holder has been offered a United States note, which, of course, is only another promise to pay. Upon return of this note for redemption he received the strange and comforting reply from the Treasury that "the term lawful money has not been defined by Federal legislation." In other words, anything is lawful.

Now people in the old world have long recognized that to wage war is to destroy wealth. They, therefore, bid up the price of gold when wars threaten. They hoard this gold in an effort to protect their life savings from confiscation. They know that for centuries governments have paid for their wars by seizing the property of their citizens either directly and openly, or indirectly by the subterfuge of irredeemable paper money, which is much more unfair. The latter method, by destroying the value of the money on which they depend, sucks away the savings of the unsuspecting people in a way that not one person in a thousand really understands until it is too late.

Currency Erosion

Yes, there was a period after World War I in Germany when printing press money created the effect of seeming prosperity to the man on the street. Wages were going up and real estate was going up. If he owned his own home, he was tempted to sell and deposit the money in the bank or invest it in government bonds. He did not realize until it was too late that what he considered the safest place in the world for his money was made unsafe by the dishonest nature of the money itself.

In this country the erosion of our dollar has proceeded slowly so far. In spite of the fact that our authorities have kept gold frozen so that our citizens are allowed no authentic check on their losses, it is apparent that our dollar has lost about half its value in purchasing power in 10 years. This is, in large measure, the penalty for an attempt to guarantee the material things of life, to make a supposedly perpetual prosperity, again in large measure out of war preparation. Due to this illusion (which, of course, seems very real to the man who has a job and is getting higher and higher wages in those paper dollars), we have lost sight of the real values and the real satisfactions in life. But who realizes or seems to care that this guaranty against depression, like the cruel guaranty of old age security, is no better than the money in which terms it is guaranteed?

The Folly of Irredeemable Paper Money

Suppose engraving machines were set up in the main street of every town in the country and $10 bills turned out 24 hours a day. Even though these bills looked like any other $10 bills with the proper signatures of the Treasurer of the United States and the Secretary of the Treasury, would you say the wealth of the country could be increased by such an operation? Wouldn't everyone question the value of money which is turned out as easily as that? Would anyone be so foolish as to save this money or put it aside for his old age? Wouldn't everyone rush to get rid of such money, to exchange it for anything and everything which had a recognized value? Naturally, prices would be forced up in terms of such dollars and business would really be rushing — for awhile.

The expansion of the money supply in this country has been hidden from view and shrouded in mystery to the man on the street. We are led to believe that irredeemable paper money in increasing quantities makes prosperity because its current effect is stimulating. Inasmuch as the money supply is largely based on I.O.U's, this is tantamount to believing that the more we go into debt the more prosperous we are. How much has the wealth of this country been increased by the emission of such money? Have we finally learned how to create something out of nothing? Or will the public faith in the ability or intention of the government to pay its obligations continue to weaken until the folly of irredeemable paper money dawns on everyone?

Gold's Use Insures Responsible Government

How long can we cling to a prosperity with a foundation such as this? How long can a nation endure half honest and half dishonest? We are honest with foreigners through necessity since our laws designating what is to be considered legal tender in this country have no standing in the outside world. We must and do stand ready to redeem our dollars in gold to foreign nations. But we are dishonest with our own people in that we refuse likewise to redeem their dollars in gold.

Are we to believe the gold is safe in the vaults at Fort Knox where foreigners can come and get it any time they choose, safer than in the hands of our own people? Why do we not trust our own citizens and give them the same rights given to foreigners? Is it not because money-wise and patriotic citizens would immediately destroy the fiction of $35 gold by getting rid of bad money which is losing its value for good money which always retains its value? Would this not force the government to fix the value of the dollar, check its current headlong spending spree, stop inflation and stabilize the economy? Would this not call a halt to the plans as engineered through the International Monetary Fund by such men as Lord Keynes, Harry Dexter White, and Alger Hiss—plans which so far have been working out according to schedule?

You will recall some years ago there was talk of lending our gold to England. Who would have believed at that time that we would be giving it away, and not only to England, but to other nations as well? Isn't this, in effect, what we are doing when we are giving away the hard earned paper dollars of the American taxpayer — paper dollars which only the foreigner can turn into gold?

No, gold is not available to the American citizen who, with the aid of gold, could enforce honor and responsibility in government.

No government is either honorable or responsible for long unless it respects the rights of minorities to check the unwise demands of those who may at times out-vote them. Our forefathers took great care to inculcate this principle into our system of government. The functions of the legislative, the executive, and the judicial departments were specifically defined and each was to serve as a check or balance on the others. Even in the legislative department itself, the Senate was to be chosen in caucus and not elected by popular ballot for the same reason. The disregard or elimination of some of these original provisions has already carried our nation a long way on the road to the state of collectivism, wherein a government dominated by a few individuals is in complete control of the masses with no tolerance of intelligent minorities.

This makes it all the more imperative that we recognize the indispensability of a gold standard, that the people may have some control over irresponsible government spending. Thus when there is distrust of the financial policies of a government because of the emission of irredeemable paper money, the demand for good money — gold — will immediately reveal the fraud being perpetrated upon the public. The thermometer warns us of a coming sickness. The barometer warns us of the approaching storm. The demand for gold, when it is available, in like manner warns the unsuspecting public when unwise government financial policies threaten confiscation of their savings.

Gold the Strategic Metal

Debauchery of currency was recognized in the Communist Manifesto as the one slow but sure method of destroying capitalism. This essential step in the Communistic program was recently carried out in Hungary. Irredeemable paper money and the inflation it brought about finally resulted in the forced exchange of 400,000,000,000,000,000,000 old money units for one new, wiping out all the savings of the people and thus preparing the way for the complete take-over by the Communists.

Someone else has said, "give me control of the money and you can make the laws." The truth of this statement is borne out by our present dilemma wherein the destiny of our nation is being so controlled with little regard for the rights or wishes of the American people. By no stretch of its interpretation, nor twist of its meaning, does our Constitution reserve such powers for the use of any select group. This power must be taken out of the hands of those who may abuse it to completely dominate our lives before we have reached the point of no return.

Money whose value is controlled by gold is the only honest medium of exchange. This is proven by many centuries of experience. Gold has never lost a battle with irredeemable paper money, but man has always lost when he toyed with this age-old and often tried experiment of attempting to write value into paper by law.

Gold Drain Plot

The day of reckoning will surely come when the foreigner decides he would rather have gold than paper dollars. He has it in his power to throw our economy into a tailspin if he should do this at an inopportune time and it is improbable that he would exercise this right except at such a time. In the absence of some incident to start such a run, the scattering of our dollars to the four winds through our foreign-aid program continues. Thus foreign credits in this country are building up month after month, year after year, and at an alarming rate, when it is remembered that foreigners can call down our gold at any time. There is a striking similarity between the policies of our government, the International Monetary Fund, and foreign central banks. Is it not their purpose to maintain the dollar at an arbitrary and fictitious level because in this way our gold can be drained off at the $35 bargain price for the benefit of other countries?

Isn't it about time we awakened to this conspiracy against the American people, a conspiracy allowed by our own officials who should know the dangers involved? **Gold is the most strategic of all metals. No nation is prepared for war financially without it.** Upon the recognition of the importance of its use in our internal economy, upon its preservation, and its further accumulation, rests the entire future of our country. With gold freely available to the American people, there is assurance that the wealth of our country will be preserved. With gold freely available only to those outside our country, the great accumulated savings of our nation can ultimately be wiped out. Without gold there is no such thing as a brake on inflation. Without a gold standard it is as though we were in the middle of a swift flowing current with no power to reverse our course even though there are many of us who can see the brink of the fall approaching.

Return to Gold Not Difficult

Open a free gold market! Allow gold to disclose and truly measure the present value of our dollar. The truth and the truth alone will free us from the scourge of inflation. Suppose gold goes to $70 an ounce as it did after the Civil War. At that time men who controlled our nation's financial policies realized it was for the welfare of all the people that they open a free gold market to establish a sound basis for the currency of the country.

Given a reasonable period of time, with the return of confidence the price of gold would settle down as it did at that time. The proper and natural relationship between gold and the dollar can then be determined and a date set after which the government will guarantee this value for the dollar by offering to pay gold to anyone who asks for it.

A return to a gold standard and sound finance could be a simple affair. It is the patriotic duty, and the moral duty, of our authorities to restore this safeguard to the American citizen who has for so long been deprived of his property rights in his own country, rights which are given to foreigners without question. When these authorities took the oath of office they swore to uphold the Constitution. The Constitution guarantees the property rights of American citizens as well as those of the foreigner. Are we to believe that we are completely under the domination of the United Nations which would of course countenance such discrimination against our citizens to further the "world order"? Are we to believe that our Constitution is now only a scrap of paper, because the United Nations' charter was cleverly ratified under treaty law and so becomes the supreme law of the land under Article 6 of the Constitution itself, a fact that too few of us seem to take seriously?

A Gold Standard Will Stabilize Our Economy and Return Control of Our Government to the People

For over 20 years we have been subjected to a deliberate smear campaign against gold and the gold standard by those who would change our system of government until now many of our respected citizens are convinced that it is unworkable. "What good is a gold standard if we have to go off gold as soon as there is any kind of crisis?" The answer is, we don't have to, anymore than we have to change our other standards of weights and measures. Why should we discard our principles at such times and accept defeat? There is a way and we had better find the way because an honest medium of exchange is of the utmost importance to the preservation of our nation and our way of life.

Is there any good reason why we should not return to gold, the only truly lawful money, now, not some time in the distant future when confusion and chaotic conditions bring us to our senses and we are forced to start all over again on a solid foundation?

Why should we not make our paper money redeemable into gold for the protection of the man on the street?

Why should we not make sure that scheming individuals never again seize such power, in trumped up "emergencies," to undermine the value of our money and hand this power down to their successors who may be ill-advised or ignorant of the basic principles of sound money, or shall we say lack the stamina to admit that the only way back to sanity is the long way around?

Why not write a new provision into our gold standard? In times of stress, when gold withdrawals are necessarily heavy, authorize the government to issue gold certificates promising delivery of gold at a gradually increasing premium over the statutory price in one, two, or three years as the gold is mined or becomes available. With this assurance that all demands would be met, the probability of any serious run on our gold would be greatly lessened. Furthermore, no future government would have any excuse for not honoring its obligations in this regard. Such a gold standard would go a long way to **permanently** stabilize our economy and to **perpetuate** responsible government.

Is it too much to say that a forward looking gold standard with this as well as other provisions to insure its continuity might discourage our being carried into each and every war that comes along and might well change the whole course of our nation?

If a government does not trust its own citizens it is no longer a government of, by, and for its own people. If it has drifted so far apart that it leaves its destiny in the hands of foreign people, it is indeed heading for disaster.

James J. Viner

James J. Viner, Vice-President of Edward A. Viner & Co., passed away Dec. 30.

Continued from first page

Agriculture and Big Government

parison with our gross national product. For 1956, our gross national product will total about $408 billion. This means that total governmental costs during the year will be approximately one-quarter of our gross national product. In other words, all of us together decide how each of us spends one dollar in four.

Many of us are concerned about the advance of socialism in America. We frequently think of socialism in terms of the common ownership of our productive assets. From another point of view, socialism may be regarded as the common ownership of the product of society, or the common distribution of income. We have already traveled a long distance down the road toward that kind of socialism. It is a path from which there is no effective return.

The question we face is not whether government will be big business. It will. The important question concerns the proper role of government in your life and mine. What will be the relationship between your government and you?

Will government be your **senior** partner or your **junior** partner?

Will government play a **dominant** role or a **subordinate** role?

Will government be your **master** or your **servant?**

In the last couple of decades, we have seen a tendency for governments more and more to invade the private affairs of individuals and of business, both in this country and abroad. This invasion has not been confined to periods of war emergency. It has proceeded, but at a slower rate, during non-war intervals. There is always within government a strong urge to grow big and become powerful.

Government Participation in Agriculture

Nowhere does modern government play a more dominant role than in agriculture. It is here that government program has been piled upon government program during the last three decades or more, until farmers themselves are understandably confused by the crazy quilt pattern of governmental assistance to agriculture.

Governmental assistance to agriculture is not of recent origin. The principle is as old as the colonies themselves; only the form and the extent are new. The United States Department of Agriculture is now in its ninth decade. It was created in 1862, the same year in which President Abraham Lincoln signed the Morrill Act establishing the Land-Grant Colleges.

A primary purpose of these colleges was to aid agriculture through education and research. Government today supports agricultural research and education on a broad basis. In the four years this Administration has been in Washington, Federal appropriations for agricultural research have increased 75%. Likewise, appropriations for Agricultural Extension have more than doubled.

Government also supports vigorously other types of aid which accrue to the industry generally, and benefit the individual farmer indirectly. Among these are market promotion and regulation, grading and standards, soil conservation, flood control, credit programs, and the like.

Programs of this kind benefit agriculture generally and make it possible for individual farmers to increase their incomes, without accepting the burden of a whole pattern of controls and regulations over their individual farming and marketing operations.

In the last 25 years we have developed in this country a new philosophy of direct financial assistance to individual farmers in the form of conservation payments, production payments, and price support loans and purchase agreements.

Under the program of rigid war-time price supports at incentive levels, markets dried up both at home and abroad. Uneconomic production increased on every hand. Unprecedented food and fiber surpluses piled up in the hands of government. These surpluses were inevitably price depressing. They accentuated the very price risks the program was designed to reduce.

The Federal government, through its Commodity Credit Corporation, is today the world's largest commodity owner and trader. The CCC, in its price support operations, provides a residual but seemingly insatiable "market" for a wide variety of food and fiber no one else seems to want very badly.

CCC operations often dominate commodity markets and determine price movements. The free marketing system will be in danger if government price manipulation continues to grow. It is now within the power of government, either wittingly or unwittingly, to place economic pressure on whole groups of producers and distributors. Through its pricing and sales program, government can shrink or expand consumption. It can squeeze consumers out of the market or bring new consumers in. A government heavily involved in commodity ownership can easily bypass the private marketing system. The present Administration has repeatedly demonstrated its determination not to bypass the private marketing system. But it would take a change of only half a dozen men at the top to alter this policy.

How Did All This Happen?

Let us examine for a moment how this situation arose in a nation that takes considerable pride in its system of free enterprise and private initiative.

As a nation, we have gotten ourselves into our current, almost unbelievable surplus situation primarily because many of our people believed, or at least hoped, an Act of Congress could brush aside fundamental demand and supply relationships. We set out to legislate price at artificial levels, without effective measures to maintain consumption rates or to curb production increases. We shackled price as an economic throttle and provided no substitute regulation, other than governmental controls. In most cases these proved to be too lenient and too late.

We continued this system of wartime price manipulation long after the war emergency had ended, with the result that we now have the unprecedented surpluses of farm products in the hands of government.

As a nation, we have lacked the political courage to face reality. We have jumped from legislative expedient to expedient, as we have repeatedly tried to sweep our basic economic problems under the rug.

The Paradox of Economic Controls in a Free Society

The long decline in prices and incomes over the past nearly 10 years was associated with an uneconomic program designed initially to remove price risk, while at the same time ignoring its impact on net income. Under this program, surpluses moved into the hands of government. The next inevitable step was the institution of production and marketing controls.

Artificially high prices and rigid controls are the Siamese twins of agricultural policy. They cannot be separated except in time of war, when insatiable demand sops up surpluses accumulated between war periods.

These production and marketing controls, in part, replace the former risk of price fluctuation, with the present risk that an individual producer will be throttled back in his right to produce until his income suffers.

These irritating and uneconomic controls are the inevitable aftermath of a price support system conceived in short-run politics. They portray the futility of seeking solution in expediency rather than in integrity.

Producers of our basic crops have been cut back on production quotas to the point that many of them are nearly forced out of business. Consider for a moment the plight of farmers who depend primarily for their living on cotton, wheat, tobacco, rice, or peanuts. These are basic crops with compulsory controls. Many producers have so small an allotment that they find it difficult to meet operating and living costs with production so curtailed.

A cotton farmer with his three acre allotment, a tobacco farmer with his one acre allotment, or a wheat farmer with an allotment only 60% of what he used to grow, needs something besides 90% of parity. One hundred percent of parity won't solve his problem. There isn't much that any kind of price support program can do for him. His crying need is for an opportunity to expand production. But his government prevents him from producing enough to make a decent living.

A Ceiling Over Opportunity

When a commodity gets itself into the fix of producing for the government rather than producing for a growing market, it almost inevitably finds a ceiling placed on opportunity.

When the benevolent hand of government is called upon to control prices and direct the flow of goods, opportunity to produce and market is usually rationed among producers. Farmers are limited to a percentage of some historic base of what they produced in the past.

We must recognize that the combination of incentive price supports and production control programs we have been following leads only to further imbalance between production and consumption, to uneconomic patterns of production, to vanishing markets, to still further production restrictions, to the politics of "equal shares" among producers, and toward a peasant agriculture.

The rationing of the right to produce among smaller and smaller production allotments results in a large number of relatively inefficient production units. This tends to raise unit production costs for the entire production. As a result, important sectors of agricultural production, in our most scientific and mechanized agriculture in the world, now find they are being undersold in foreign markets by underdeveloped areas of the world.

In attempting to eliminate the risk of price variation, the system of rigid wartime supports we followed up until a couple of years ago have sacrificed income stability. In other words, we are in danger of sacrificing income security for the illusion of price security.

This is a risk agriculture cannot afford to carry.

Which Path Should We Choose?

We are faced with a number of choices in agricultural policy, with respect to the relationship between the government and the individual farmer. These choices will not be resolved quickly or easily. They will not be resolved during the next four years of the second Eisenhower term. They will be with us always, through Administration after Administration, as we grapple again and again with the never ending economic and sociological adjustment in agriculture.

The basic choices we face may be summed up in the following three questions:

(1) Will we treat agriculture as an economic entity in which the individual farm family remains free and independent, or will we treat agriculture as a pawn in the political auction ring, to be bought and sold by the highest and most irresponsible bidder?

(2) Do we desire a dominating government that insists on being our **senior** partner, or do we desire a government that will be our **junior** partner, with you and me calling the shots in our own business?

(3) Will we move more economic decision-making to Washington, or will we really promote and assume responsibility at the local levels of government and business?

What Kind of Equality?

A fundamental question we all must face in agricultural policy is whether we want to place an opportunity ceiling over individual farmers as we move in the direction of "equal production rights" for all. Or do we want an agricultural economy in which farmers who are ambitious, capable, and efficient can grow along with the changing times and make a better than average living for themselves and their families?

The question really revolves around what kind of equality are we going to guarantee our people?

The American system is based upon the philosophy of equality for all. But equality of what? Will it be equality of opportunity, or equality of reward? Will it be equality at the starting line, or equality at the finish line?

Traditionally in America we have insisted on equality at the starting line. And this system has paid off. This is a country in which any youngster, however humble his start in life may be, can aspire with confidence to highest positions of leadership in industry, in commerce, in finance, in farming, in the professions, indeed in government. In this respect America is fairly unique among the nations of the world. There is here no cast system through which you can't rise.

So it is also with farming. Hundreds of thousands of our very best farmers were not "born to a landed estate." They worked their way up from tenant farmer, to part owner, to full owner, to financial success and security in retirement. And the community thought none the less of them when they were tenant than when they were full owner. Their social status was unchanged as they climbed the economic ladder.

In the last generation, as farming became highly mechanized and used large inputs of science and technology, these farmers were able to enlarge their family farms, to use labor and equipment efficiently, to produce at low unit costs, and to make a sufficient income to enjoy good living, to support churches and schools, to educate children, and to provide for their own security in their declining years.

These farmers were good businessmen. They used large amounts of capital and frequently borrowed money. They were good credit risks. They were the kind of family farmer that must always form the backbone of an agriculture that is progressive, prosperous, and free.

In recent years government controls on production and marketing have made it difficult for many of these farmers to make desirable adjustments to the changing technology of agriculture. In our national efforts to "guarantee the farmer a fair share of the national income," we have moved in the direction of rationing the right to produce among our farmers in such a way that everybody tends to have an "equal share" at a minimum level. This is essentially a process of equalizing opportunity downward.

Equal Opportunity or Equal Reward?

The question we face is, just where would the farmer have this equalizing take place? Does he want an agriculture in which every farmer will have an equal opportunity to exercise his initiative and his business ability and his willingness to work? Or does he want an agriculture in which every farmer is guaranteed equality at the finish line?

We might compare the situation to a foot race among youngsters. Here the rules of the game invariably insure that all participants will have an equal start. If they don't get an equal start, they are called back to start over. If, instead, the runners were guaranteed that they would all finish equal, what would happen to the race? The fastest would have to be slowed down to the pace of the slowest. There would be no other way to insure equality.

How many of you have ever seen a kiddies' race at a picnic? One little fellow will run his head off to win, and he gets an all day sucker for his efforts. But the little stinker who stopped to scratch a mosquito bite and came in last, gets one too.

If you watched closely, you might have observed some distress on the part of the winner at such open handedness. Next time he won't try so hard to win. It's also a safe bet that the bite scratcher won't exert any undue efforts the next time he races either. Why should he? He got the same prize as the winner.

If we are ready to socialize our agriculture, then a wonderful way to start is to guarantee that all farmers, irrespective of individual effort or ability, will wind up equal at the finish line.

Complete and unqualified equality is the golden bait which the socialist holds forth so temptingly, as he tells his story.

No one of us would argue the principle of equality among mankind. That is part of the very foundation of America. The big question becomes: "Where shall we be made equal—at the starting line or at the finish line?"

The American system has always insisted upon equality at the starting line, and equality of opportunity along the course. It recognized differences in individual capacities, preferences, ambition and goals. Our system of opportunity and rewards places a strong incentive before ambitious people to succeed beyond mediocrity.

If a system of government controls and rationing had threatened to stop our forefathers "at or near the average," many would never have known the incentive to push westward and upward as they did in developing the world's most productive economy and highest levels of living.

Your generation and mine cannot evade the question of what kind of equality we'll have—equality of opportunity or equality of reward.

The time for decision is closer than we think.

With Barrington Inv.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Edward J. Smialek is now connected with Barrington Investments, 390 Main Street.

Charles L. Davis

Charles L. Davis, with Drake & Co., passed away Jan. 5 at the age of 60.

Railroad Securities

By GERALD D. McKEEVER

Bangor & Aroostook RR.

In spite of a let-down in the final quarter of 1956 the "Bangor" has just wound up its best year since 1948 and the second best in so many years that it is almost safe to say "in its history." As a result, "Bangor" stock—there is now only one class—put on an outstanding market performance last year with its total gain of almost 60% having been exceeded only by that of Virginian Ry. common. The difference between these two is, however, that the more volatile "Bangor" gave up almost half of its total rise by the end of last year, but even so, its net gain of 35% stood well in the forefront of 1956 market performance.

The 600-mile Bangor & Aroostook is known as the "potato road" since this commodity still represents almost a third of its freight revenues. Due to increasing traffic diversification, however, and notably to the rising importance of newsprint and pulpwood in its traffic, the dominance of potatoes has declined relatively in the past ten years. In 1947, for instance, potatoes represented 32% of tonnage and over 48% of freight revenues. In 1955, however, potatoes represented less than 18% of tonnage and 32% of freight revenues. Nevertheless, the fortunes of the "Bangor" turn on potato crop conditions locally and nationwide, and for the past two years the "Bangor" has had the "breaks" from this direction, although there was some decline in Fall shipments as compared with the big 1955 season. The 1955 potato crop was unprecedented as to both yield and quality, and the latter, being reflected in prices, has a direct bearing on the volume of shipment.

All told, the 1955 year set a high standard for the road to excel, but it still appears that it will do so nicely. Allowing for a lower level of operations in the final quarter, 1956 revenues are estimated at some 17% above those of 1955 as against an actual 22% gain for the first ten months of last year as compared with the corresponding 1955 period. Making the same allowance, the road's management placed 1956 net at $1,450,000 to $1,550,000 in a statement made several weeks ago. It now appears that the lower end of this estimate is going to be the closer to realization since the road's net for 11 months through November of last year was $1,339,520, reflecting the setback that gave the road only $17,076 net in October and $25,768 in November. However, net for December, 1955 was $166,000 and even if only half of that was turned in for December, 1956, the result for the year would be safely within the range of the estimate.

The nature of the net income of the "Bangor" merits some comment since it is understated as compared with that of all other roads which utilize the privilege of accelerated amortization to defer taxes. The tax benefit in the case of the "Bangor" is offset by the deduction before arriving at net income of a "special equipment sinking fund" which is approximately equal to the tax benefit, and which amounted to about $5.35 per share in 1955 and around $6 per share last year. Thus the road's 1955 report pointed out that "the Bangor & Aroostook appears to be the only Class I railroad in the country which does not include the so-called 'tax benefits' from accelerated amortization in its net income."

What the road is doing is to use the tax saving over a five-year period of accelerated amortization to accelerate similarly the repayment of equipment obligations in the amount of approximately $7.7 million over the 1956-1960 period. The "Bangor" entered upon an ambitious equipment acquisition program in 1950 which has "paid dividends" finally in having produced a contribution to earnings in the 1954-55 years which has been in excess of net earnings in each of these two years, which could mean that if the road had not owned this equipment it might not have had any net income in these years. In 1949, for instance, the "Bangor" had a $53,000 debit to its equipment hire account, but this was transformed by 1953 to a $797,000 net credit, and further increases were shown in 1954 and 1955 with net credits, or earnings from equipment, of $989,000 and $1,550,000, respectively. A large part of this is derived from the rental of heater-refrigerator cars to other roads during the "Bangor's" off season.

The situation of Bangor & Aroostook stock has also been improved by the capital revamp completed early last year. By virtue of the private placement of $8 million first 4¼s and $4 million 5⅛% income promissory notes and the sale to common stockholders of 29,761 additional common shares, the road retired some $10.4 million 4½% bonds which were convertible into 20 common shares per $1,000 bond, and also retired 38,280 shares of 5% preferred stock, each share of which was convertible into two shares of common. This potential 275,990 share dilution of the common stock was averted by the issuance of only 29,761 additional shares, or only a little more than one-tenth as much, and at the same time, long-term debt was reduced by $2,040,000.

The Bangor & Aroostook is a low-cost operation. Its transportation ratio has always been one of the lowest among Class I roads, and this status has been maintained despite rising costs largely as the result of complete dieselization of operations. The result of the latter has been an 80% gain in gross ton-miles moved per freight train hour in the 1946-55 period. The transportation ratio for the first ten months of 1956 was 27.2% as against 27.8% for the corresponding 1955 period and 28.2% for the 1955 year. Similarly, the road enjoys a low wage ratio —42.4% in 1955—and this lightens the impact of wage increases.

The Bangor & Aroostook has shown better than average growth of both traffic and revenues since 1950 as compared with both the Class I average and with the average for the New England District. The revenue trend in 1955 tended to lag somewhat behind the traffic index due to some rate erosion. This is believed to be largely the result of efforts to keep potato movement "on the rails" against truck competition. This, as well as the road's dependence on the vagaries of crop and price conditions, should become less of a factor if diversification continues as it has for the past decade. While the proportion of potato revenues declined from 48% to 32% between 1947 and 1955, the proportion from pulp and paper increased from 9.2% to 18.4% and the proportion represented by manufacturers and miscellaneous increased from 27.8% to 45.6%. The East Millinocket mill of the Great Northern Paper Co. is the principal source of pulp and paper revenues.

Bangor & Aroostook stock has been one of the least stable price-wise due not only to the year-to-year fluctuations in the road's earnings, but also due to the magnification of these fluctuations on a per-share basis because of the road's small share capitalization. The road's equipment ownership and its earnings therefrom may now tend to be an important stabilizing factor and the erraticness of per-share earnings could also be "ironed out" somewhat by a stock split. Obviously "Bangor" stock is looking toward future possibilities at the present price of 57 at which the $2.40 annual dividend rate represents a yield of only 4.2%.

Morgan Stanley Group Offers Interstate Oil Pipe Line Debentures

Public offering of $25,000,000 30-year 4¼% sinking fund debentures of Interstate Oil Pipe Line Co., a wholly-owned affiliate of Standard Oil Co. (New Jersey), was made yesterday (Jan. 9) by a nationwide underwriting group headed by Morgan Stanley & Co. The debentures, due Jan. 1, 1987, were priced at 100% and accrued interest to yield 4.25% to maturity.

The debentures cannot be refunded prior to Jan. 1, 1967 by use of borrowed money having a lower interest cost. The debentures are redeemable at the option of the company at 106% on or before Jan. 1, 1962 and at prices decreasing thereafter to 100% after Jan. 1, 1984.

The debentures will have a 100% sinking fund which will retire $500,000 principal amount semi-annually, July 1, 1962 to maturity.

All of the 202,010 outstanding shares of capital stock of Interstate are owned by Standard Oil Co. (New Jersey).

Owning and operating crude oil pipe lines in Arkansas, Illinois, Louisiana, Mississippi and Montana, Interstate plans to use the proceeds from the sale of the debentures in the construction of additional pipe line facilities required for the company's normal growth. Most of the crude oil transported through the company's lines in Arkansas, Louisiana and Mississippi is delivered to the large Baton Rouge refinery of Esso Standard Oil Company.

Budgeted capital expenditures for 1957 amount to about $5,500,000 including $1,300,000 to complete four product lines from the Baton Rouge refinery to Sorrento, La. and connections with chemical plants in the Baton Rouge area.

Annual capital expenditures for the next several years thereafter are expected to average about $5,000,000 and it is contemplated that most of the new facilities will be crude oil lines in the rapidly developing on-shore and off-shore producing areas along the Louisiana Gulf Coast.

Interstate also owns a 40% stock interest in Yellowstone Pipe Line Co. which owns and operates a products pipe line system extending from Billings, Mont. to Spokane, Wash.

For the nine months ended Sept. 30, 1956 Interstate reported total revenues of $17,013,000 and net income of $3,327,000, compared with $15,309,000 and $2,753,000 respectively for the like nine months period of 1955 and $20,654,000 and $3,781,000 respectively for the full year 1955.

Frank Hitchcock

Frank Hitchcock, member of the New York Stock Exchange, passed away on Jan. 3.

Construction Review and Outlook

Despite an estimate that 1957 may see new residential starts fall below 1 million units for the first time in eight years, the annual "Construction Review and Outlook" predicts 1957 potential construction volume will exceed record high $60 billion 1956 volume by $4.4 billion. Salient factors and basic assumptions for 1957 are provided, as well as a breakdown by types of the 1957 outlook. Warns, however, that progressive credit tightening continuing in 1957 may vitiate against this potential.

Smashing dollar volume records for the 11th consecutive year, construction activity in 1956 totaled an estimated $60.6 billion in the continental United States, and the potential indicated at the end of the year was for more than $64 billion in 1957, The Associated General Contractors of America stated in its annual "Construction Review and Outlook."

The 1956 total of more than $44.1 billion in new construction and $16.5 billion in maintenance and repair of existing facilities represented an increase of about 3% over the revised $58.9 billion total put in place during the spectacular construction year of 1955.

As the nation's largest single production activity, construction accounted for nearly 15% of the gross national product, when the government's investment in overseas construction is added, and for about 14½% of the country's total employment, directly and indirectly.

The association divided its estimate of the 1957 potential into $47.4 billion for new construction and $17 billion in maintenance and repair work in the continental United States, with nonresidential construction and state and local public works expected to provide the thrust to more than offset a continued decline in housing volume. It was stressed, however, that if progressively tightening credit conditions persist in 1957, this potential probably will not be realized.

Basic Assumptions for 1957

The $64.4 billion potential is based on indications of a continued high level of economic activity, the increasing backlog of construction requirements of all kinds, tentative plans of business to project its high level of capital expenditures into 1957, and a large volume of bond issue approvals by state and local governments; and assumptions of easing credit conditions, increased production of scarce materials, especially structural steel, a moderate rise in construction costs, and no major work stoppages or worsening international conditions.

The A.G.C., representing more than 6,700 leading construction firms of all types throughout the United States and Alaska, which perform the majority of the nation's contract construction at home and abroad, based its year-end review and outlook on a study of authoritative private sources and official governmental estimates.

1956 Construction Reviewed

Powered by a strong thrust from the unprecedented levels of 1955, construction activity in 1956 continued strong throughout most of the year despite a sagging residential market resulting from competitive credit conditions which showed evidence of restricting other types of construction by the year's end.

The 3% increase in dollar volume over 1955 was more than offset by an increase of approximately 5% in construction costs. Aside from the decline in housing, construction volume was probably prevented from increasing further by a general shortage of structural steel, compounded by the summer strike, resulting in delivery schedules extending through 12 to 18 months in the future, plus spot shortages of Portland cement in some areas during the peak construction months.

The importance of construction in the national economy continued to be demostrated by the fact that more than one dollar out of every seven spent for goods and services in the United States was invested in construction. As a generator of employment, construction activity provided, directly and indirectly, jobs for about 9.8 million persons. Those employed directly in construction operations are estimated to total 4.8 million, with the remainder engaged in activities servicing construction in the fields of distribution, transportation and manufacturing.

Major Categories, 1956

The $44.1 billion volume of new construction in 1956 consisted of $30.7 billion in private construction and $13.4 billion in public activity, and was characterized by dramatic increases in nonresidential work, more than offsetting an 8% decline in residential dollar volume.

While private volume, depressed by housing, increased by only 1% in the aggregate, nonresidential building rose 15% to a total of $8.8 billion, paced by a 10% increase in commercial construction at $3.3 billion, and a 25% jump in industrial building, totaling $3.1 billion.

The major component of private construction, public utilities, continued to expand with outlays rising 10% to a total of $5.1 billion. Notable were increases of 16% by railroads, 20% by the telephone and telegraph industry, 10% by gas interests, 6% by the electric light and power industry, and 8% in pipelines.

Residential activity, in contrast to 1955 when a 21% increase in expenditures was recorded and 1.3 million private units were started, experienced an 8% decline in dollar volume to $15.2 billion, with an estimated 1.1 million units placed under construction.

In the lesser private categories, increases were noted in religious, education, and social and recreational projects, with only farm construction and hospital and institutional building declining.

Local Public Works Mainstay

The dominance of state and local public works in the public construction field continued to advance for the fifth successive year, with this category accounting for an estimated 72% of the $13.4 billion public total which was 8% above the 1955 record.

Highway construction rose 13% to more than $5.1 billion; public school outlays expanded 5% to $2.6 billion, accounting for an estimated 63,000 classrooms; and sewer and water facilities jumped 19% to $1.3 billion. Hospital and institutional building continued to decline.

In the primarily federal categories, military construction increased 9% to $1.4 billion; conservation and development reversed a downward trend which began in 1950, increasing by 12% to $660 million; and industrial building—primarily atomic energy facilities —continued a drastic decline, falling 40% behind 1955 to $425 million.

Maintenance and Repair

Based on new government studies which substantially increased the estimate of maintenance and repair expenditures in 1955 to

$15.9 billion, the 1956 total is conservatively estimated at $16.5 billion, with residential repairs undoubtedly increasing as the result of promotional efforts by industry with government cooperation.

Maintenance and repair operations consist of about 40% in the residential category, 20% nonresidential buildings, 15% public utilities, 12% highways, 4% sewer and water facilities, 4% military facilities, and 5% all other.

1957 Outlook, by Types

The trend indicated for 1957 is a continuing demand for nonresidential construction of all types, with the business sector planning a continued high level of capital outlays, local public bodies straining to meet accumulated and future community facility needs, and with financing problems foremost in carrying out the potential.

Most materials with the exception of structural steel, are expected to be in adequate supply as new plant capacity comes into play. The steel industry added 16% in 1956 to its structural rolling capacity and expects to increase its shipments of structural steel by 14% in 1957. The availability of this important material, however, may be reduced by such new factors as the government's tanker construction program, thus restricting the rate of increase possible in highway and bridge construction.

New Construction Potential

The potential of $47.4 billion in new construction is broken down as follows:

Residential — Private expenditures are expected to continue their current decline, and may not exceed $15 billion despite prospective increases in the price of homes, and the trend towards larger houses. A scarcity of mortgage funds and higher interest rates will continue to be a depressing factor, and 1957 may see new starts fall below 1 million units for the first time in eight years.

Business—The tentative projection of plans for plant and equipment expenditures through the first quarter of 1957 at an annual rate of $38 billion—16% higher than in the first quarter of 1956, and higher than the current rate—suggests a construction volume of $12.8 billion, if such a rate is maintained throughout the year. In 1956, capital expenditures started at the annual rate of $32.8 billion in the first quarter, but increases throughout the year brought the annual total to $35 billion. Even so, most industries were unable to meet their scheduled third and fourth quarter programs, partly due to the effect of the summer steel strike on capital goods deliveries.

Industrial construction is expected to continue its increase from current peak levels—but at a more moderate pace of about 14%, to an estimated total of $3.5 billion.

In the commercial field, the construction of office buildings, including a number of skyscrapers, is assuming a more important role, and probably will account for a substantial part of a 6% increase to about $3.5 billion. The construction of service and shopping facilities for new residential communities is expected to continue at near peak levels.

Privately owned public utilities, which experienced an unexpected increase of nearly $500 million in 1956, are scheduling new advances in outlays in 1957, which are expected to be in the magnitude of about 14%, for a total of $5.8 billion.

Other Private — In the lesser-volume categories, religious construction, which fell below expectations in 1956, is expected to rise by 16% to $900 million, and moderate increases are expected in social, recreational, hospital and institutional, and miscellaneous other private projects. Farm construction, which fell only 6% to $1.5 billion in 1956, is expected to remain at its current level.

Federal — The downward trend of federal construction expenditures is expected to reverse with rises of 7% in military construction to $1.5 billion and 21% in conservation and development to $800 million. Public industrial construction, principally atomic energy facilities, is expected to remain at its current level of $425 million annually. The total federal share of public construction may reach about $4.1 billion, compared with $3.8 billion in 1956.

State and Local—State and local public works consisting principally of highways, schools, hospitals, and sewerage and water facilities, are expected to retain their dominance in the public field, comprising 73% of the total—$11.1 billion.

Highway construction, under te first-year impetus of the long-range highway program authorized by Congress, may push to approximately $5.8 billion, a 14% increase over 1956. While much of the first-year expenditure of programmed funds for the highway program will be spent on purchase of right-of-way, the amount of construction put in place also will depend heavily on the supply of steel which is made available.

Public educational construction may increase 13% to about $2.9 billion under pressure for new classrooms to accommodate rapidly expanding school enrollments, irrespective of any federal-aid legislation that may be enacted. About 63,000 public school classrooms are expected to be built in the 1956-57 school year, and the volume may reach 70,000 for the first time in 1957-58.

Sewerage and water facilities, which exceeded expectations in 1956 with a 19% increase, are expected to continue rising at the rate of more than 15% in 1957, passing the $1.5 billion mark.

Influences on Construction

Salient factors affecting the construction industry are the continued tremendous demand by a growing population for goods and services, requiring expansion in nearly all types of construction, especially business, and state and local public works; steel shortages; inauguration of the accelerated long-range highway construction program; and tightening credit conditions which have depressed housing volume and are showing signs of restricting other types of construction. A current decline in contract awards has been attributed partly to the credit situation.

The pressure for local public works is evidenced by a high rate of bond issue approvals in many states and municipalities for schools, highways, sewer and water facilities and other community projects.

The degree to which the potential will be realized in 1957 will depend to a considerable extent on whether credit conditions will improve. The strong competition for funds to meet unusual demands of business, state and local governments and individuals from an economy running at capacity will inevitably delay a number of smaller projects which otherwise would be carried out. New sources of investment and savings must be tapped if construction is to maintain its pace in 1957.

In the public works field, a number of states are giving serious consideration to steps to aid local governments which are experiencing difficulties in marketing bond issues in a climate of keen competition for funds, and rising interest rates.

While construction activity has been dramatic in size in recent years, its growth has been uniform and in close proportion to the growth in the national economy.

Consisting of about 15% of the gross national product, construction has served as an effective stabilizer in the economy when unhampered by regulation. Considering this position as normal in prosperous times, total construction volume should attain a conservative estimate of $80 billion annually within the next decade, if economists' predictions of the growth in the national economy materialize.

Halsey, Stuart Group Offers Pacific Power Light 5⅜% Bonds

Halsey, Stuart & Co. and associates are offering today (Jan. 10) $12,000,000 of Pacific Power & Light Co. first mortgage bonds, 5⅜% series due Jan. 1, 1987, at 102.643% and accrued interest, to yield 5.20%. The underwriters won award of the bonds at competitive sale yesterday (Jan. 9) on a bid of 101.22%.

Net proceeds from the sale of the bonds and from the simultaneous sale of 90,000 shares of its preferred stock, together with other funds, will be used by the company to finance its construction program through 1958 and to retire bank borrowings.

The new bonds will be redeemable at general redemption prices ranging from 107.65% to par, and at special redemption prices receding from 102.65% to par, plus accrued interest in each case.

Pacific Power & Light Co., with its principal executive office in Portland, Oregon, is an operating public utility engaged primarily in the business of generating, purchasing, transmitting, distributing and selling electric energy in the States of Oregon, Washington, Wyoming, Montana and Idaho. It also supplies steam heating service in two communities, telephone service in ten and water service in eight. Electric service is supplied in an area of about 13,000 square miles with a population which increased from about 825,000 in 1940 to approximately 1,070,000 in 1950.

For the 12 months ended Oct. 31, 1956, the company had total operating revenues of $47,680,000 and net operating income of $14,294,000.

St. Regis Secondary Offering Made by White, Weld & Co.

White, Weld & Co. on Jan. 8 headed an investment banking group which offered as a secondary distribution 350,000 shares of St. Regis Paper Co. common stock at $45.25 per share.

The shares are being sold for the account of Time, Inc., which plans to apply the net proceeds from the financing toward the purchase of three radio-television stations and the construction of a new office building in Rockefeller Plaza, New York City.

Stock being sold does not represent the entire holding of St. Regis Paper shares of Time, Inc.

Now Purcell & Co.

The firm name of Edward A. Purcell & Co., 50 Broadway, New York City, members of the New York Stock Exchange, has been changed to Purcell & Co.

Phila. Investment Women To Hold Dinner

PHILADELPHIA, Pa.—The Investment Women's Club of Philadelphia will hold its annual "Boss Night" Dinner at the Barclay, Rittenhouse Square, on Monday, Jan. 21.

William W. Hibbard

William W. Hibbard passed away Jan. 5 at the age of 92.

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The State of Trade and Industry

cated by a survey made by "Steel" which shows that the metal-working industry expects its 1957 sales to reach a record high of $145,000,000,000, as compared with 1956's $135,000,000,000.

There's no sign of a letup in demand for plates, what with the tanker program being superimposed upon the needs of the construction industry, the railroad freight car builders and others. Demand is spilling over onto the hot-rolled sheet mills.

The publication's finished steel base price index remained at $137.98 a net ton for the week ended Jan. 2. Its composite on steel-making scrap declined $1.33 from that of the previous week. Its composite is at $63.17 a gross ton, compared with $64.50. A month ago, it was at $66.17, concludes "Steel."

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 98.3% of capacity for the week beginning Jan. 7, 1957, equivalent to 2,517,000 tons of ingot and steel for castings as compared with 97.3% of capacity, and 2,490,000 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 102.4% and production 2,522,000 tons. A year ago the actual weekly production was placed at 2,428,000 tons or 98.6%. 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 Increased In Post-Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 5, 1957, was estimated at 11,671,000,000 kwh. a modest increase above the week ended Dec. 29, 1956, according to the Edison Electric Institute.

The past week's output rose 475,000,000 kwh. above that of the previous week; it increased 614,000,000 kwh. or 5.6% above the comparable 1956 week and 1,838,000,000 kwh. over the week ended Jan. 8, 1955.

Car Loadings In Week Ended Dec. 29 Declined 30.2% Under Preceding Holiday Week

Loadings of revenue freight for the week ended Dec. 29, 1956, were 210,843 cars or 30.2% below the preceding week due to the holiday, the Association of American Railroads reports.

Loadings for the week ended Dec. 29, 1956, totaled 487,546 cars, a decrease of 82,866 cars or 14.5% below the corresponding 1955 week and a decrease of 41,840 cars or 7.9% below the corresponding week in 1954.

U. S. Automotive Output Declined Further In Week Ended Jan. 4

Car and truck output for the latest week ended Jan. 4, 1957, according to "Ward's Automotive Reports," showed further declines.

Last week the industry assembled an estimated 91,111 cars, compared with 99,577 in the previous week. The past week's production total of cars and trucks amounted to 101,233 units, or a decrease of 10,849 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 8,466 cars, while truck output declined by 2,383 vehicles during the week. In the corresponding week last year 125,245 cars and 19,103 trucks were assembled.

Last week the agency reported there were 10,122 trucks made in the United States. This compared with 12,505 in the previous week and 19,103 a year ago.

Canadian output last week was placed at 5,500 cars and 951 trucks. In the previous week Dominion plants built 6,128 cars and 1,066 trucks and for the comparable 1955 week 4,126 cars and 912 trucks.

Business Failures Trended Higher In Post-Holiday Week

Commercial and industrial failures increased to 222 in the week ended Jan. 3 from 174 in the preceding week, Dun & Bradstreet, Inc., reports. The toll was moderately higher than the 198 which occurred in the first week of both 1956 and 1955. However, failures remained 29% below the pre-war level of 312 in the comparable week of 1939.

Liabilities of $5,000 or more were involved in 196 of the week's casualties as against 153 a week ago and 170 last year. Small casualties with liabilities under $5,000, rose to 26 from 21 in the previous week but were slightly below the 28 of this size in 1956. Twenty of the failing businesses had liabilities in excess of $100,000 as compared with 18 last week.

Retailing failures climbed to 112 from 73 in the preceding week, commercial service to 24 from 9 and wholesaling to 16 from 12. The toll among manufacturers declined to 31 from 38 and among construction contractors to 39 from 42. While retail, service and construction casualties exceeded their 1956 levels, fewer manufacturers and wholesalers failed than last year.

Six of the nine major geographic regions reported a rise in failures during the week. The toll in the Pacific States jumped to 59 from 28 with marked increases in the Mountain, South Atlantic, East and West South Central and New England States. No change occurred in the East North Central toll of 25, while the Middle Atlantic Region, with 62 as against 82 and the West North Central, with 9 as against 11, accounted for the week's only declines. More concerns failed than last year in all except two regions, the East North Central and West South Central States.

Wholesale Food Price Index Registers A Mild Advance In Latest Week

A mild upward movement last week lifted the Dun & Bradstreet wholesale food price index for Jan. 1, 1957 to $6.13, from

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The State of Trade and Industry

$6.12 in the final week of 1956. The latest index marks a rise of 3.0% over the comparable 1956 level of $5.95.

Moving higher in wholesale price the past week were wheat, corn, barley, butter, coffee, eggs, steers and hogs. Lower were rye, oats, milk and cocoa.

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 Held Close to High Level of 1956 In Past Week

While there was a fractional decline in the Dun & Bradstreet daily wholesale commodity price index the past week, the index remained close to the high established for 1956 about a month ago. The index closed at 300.23 (1930-1932=100) on Dec. 28 and compared with 300.42 a week ago, and 280.51 a year ago.

Trading was slow in the leading grain markets last week in accordance with the usual holiday dullness. A spurt in bidding for new crop wheat futures was short-lived. Except for rye prices, which declined somewhat, grain prices generally were hardly changed from last week's level.

Wheat receipts at the major grain markets were considerably below the pre-holiday volume.

There were a few isolated small lot purchases of bakery flours by bakers and jobbers in need of current stock replacements and by some Latin American buyers. Otherwise, trading in flour was very limited. Export inquiries for rice continued to be active.

The domestic sugar market rallied in sympathy with the upward movement in the world sugar markets.

World sugar prices advanced after Poland announced its inability to deliver 200,000 tons of refined sugar to Russia in accordance with a prior commitment.

This, combined with the news that Germany plans to buy 150,000 to 200,000 tons of raw sugar in January, stimulated new buying in futures. It was felt that current tightness in the world supply-demand balance might be aggravated if Russia enters the market for Cuban sugar now.

Coffee futures pushed higher with renewed Brazilian buying, contrasting with a noticeable drop in cocoa futures.

Livestock receipts were moderate to large last week, while buying was active. An influx of hogs at the Chicago stockyards last Thursday was accompanied by a moderate drop in prices, although most of the loss was recovered on Friday and hog prices were still well above the levels in recent months. Steer receipts were light with steadiness in both buying and the prices. Lamb prices rose in active trading to the highest levels in more than a month.

While the usual seasonal slackness was reflected in cotton trading this week, both spot and futures prices were firm. Trading in cotton gray cloths remained quiet although there was some scattered business in second-hand offerings. Cotton yarn prices held firm notwithstanding the lack of buying. Spinners were optimistic, feeling that most knitters and weavers were carrying light inventories in relation to their prospects for a brisk Spring.

It is considered likely that the cotton yarn users will enter the market with some force in the early part of 1957.

Industrial and edible oil prices were generally steady the past week. There was a spurt in trading in soybean, cottonseed, and coconut oils, although the interest in peanut oil was negligible. Rubber futures dropped considerably toward the close of the week, reversing an earlier upward movement.

Trade Volume Registered Seasonal Declines the Past Week

Although consumer buying fell seasonally last week, the total dollar volume moderately exceeded that of the similar week a year ago. There were numerous post-holiday clearance sales in apparel, furniture and household linens.

While the call for new and used passenger cars remained at the level of the previous week, it was slightly above that of last year.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 4 to 8% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: New England, West North Central, and Pacific Coast +4 to +8; Middle Atlantic +6 to +10; East North Central and West South Central +3 to +7; South Atlantic and Mountain +2 to +6 and East South Central —2 to +2%.

Reduced price sales promotions boosted consumer purchases of women's coats, dresses, and accessories to a level moderately above that of a year ago.

Best-sellers in men's apparel were suits, topcoats, and furnishings, and sales equalled those of the similar 1956 week.

While furniture stores reported a noticeable rise from a year ago in sales of upholstered chairs and dinette sets, volume in bedding was moderately below the comparable 1956 level. Attracted by January sales promotions, shoppers stepped-up their buying of linens, towels, and tablecloths, and considerable year-to-year gains occurred.

There was the usual seasonal decline in food buying last week.

Sales of frozen foods and fresh produce, however, were high and steady.

Increased buying of women's Spring apparel, outdoor furniture and housewares moderately boosted the total dollar volume of wholesale orders last week.

Wholesale trade remained slightly above that of the comparable week last year.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Dec. 29, 1956, advanced 27% above those of the like period last year. In the preceding week, Dec. 22, 1956, an increase of 15% (revised) was reported. For the four weeks ended Dec. 29, 1956, an increase of 7% was recorded. For the period Jan. 1, 1956 to Dec. 29, 1956, a gain of 4% was registered above that of 1955.

Retail sales volume in New York City last week reflected the post-Christmas lull in business and dropped 1% below the comparable period a year ago, according to trade observers.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Dec. 29, 1956, increased 27% above the like period of last year. In the preceding week Dec. 22, 1956, an increase of 20% (revised) was reported. For the four weeks ending Dec. 29, 1956, an increase of 8% was registered. For the period Jan. 1, 1956 to Dec. 29, 1956, the index recorded a rise of 6% above that of the corresponding period in 1955.

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The Security I Like Best

has favorable future implications.

A descendent of Paul Revere's original copper rolling mill, Revere Copper & Brass was incorporated in 1928 as General Brass Corp. and name was changed to the present title in 1929. Volume is currently over $250 million a year and operations cover a wide variety of copper, brass, bronze, nickel silver, cupro-nickel, aluminum and steel products. Main customers are automotive, electrical equipment and building trades. A subsidiary was recently formed, jointly with Olin Mathieson, to produce primary aluminum.

Revere's profits had been in a rising trend for 5 years until the second and third quarter of this year and the fourth quarter is expected to return to the upward move. The outlook for 1957 is satisfactory. Nine-month earnings were $2.70 per share vs. $3.15 and full-year earnings are expected to be around $4 per share. Even without the close affiliation in operations, Revere C. & B. would appear to be an excellent holding at current prices about 9 times earnings. Purchase of a share of Asarco represents an equity in something over 1/6th share of Revere.

About the same amount of General Cable is behind each American Smelting share. General Cable makes copper wire and cable of all kinds, brass, bronze, and aluminum. Sales are in the neighborhood of $150 million a year and about two-thirds of output goes to utilities. There is an important tie-in with General Telephone, a leading customer. A rising trend is forecast.

Nine months' earnings were $3.06 per share up from $1.76 in the same period of 1955. Full-year earnings could exceed $4 per share and the stock seems reasonably valued at about 10 times such results.

Considering the glamour and growth prospects of the metals and mining field, the strong inflation hedge inherent in developed and undeveloped reserves, and the conservative financial position, the stock at 8 times earnings seems definitely undervalued on a long-term basis. Current yield of over 6% should be a sustaining market factor.

American Smelting & Refining is listed on the New York Stock Exchange and the present price is approximately 57.

Coffin & Burr Add

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John K. MacDonald has become connected with Coffin & Burr, Inc., 60 State St., members of the Boston Stock Exchange.

Joins Inv. Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Morton T. King is now associated with Investors Planning Corporation of New England Inc., 68 Devonshire Street.

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The Market ... And You

able to extend its swing to a score of points.

* * *

Air conditioning shares were also being listed generally as likely to go on from record activities last year to even better things this year. Carrier, a specialist in the building conditioning field, was at the head of several lists of issues expected to be the stock of the year because of the needs of the large office building jobs underway and due to start. In room conditioners the company is aiming at doubled sales this year. Operations as a whole reached record levels last year and increased earnings are freely predicted on its goal of a 20% increase in sales this year.

Movie Issues at a Discount

The high-yield group continues to be the movie stocks which are also the leading "worth-more-dead-than-alive" group but few market students expect any great improvement in their market action. American Broadcasting-Paramount, however, which has the hedge of the TV business, is a somewhat better regarded issue what with its yield of around 7% and its better prospects than the other prime movie makers. The issue has been hovering at a price level more than $12 below its book value which, itself, is something of an understatement. By some yardsticks its film library alone, if priced at conservative market values, might be worth the entire price of the stock.

[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.]

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass. — Peter Golfin has been added to the staff of Shearson, Hammill & Co., Third National Bank Building.

Gage Wiley Adds

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass. — Martin B. Person, Jr. has joined the staff of Gage-Wiley & Co., Inc., Third National Bank Building.

Boston Inv. Club To Hold Meeting

BOSTON, Mass. — The Boston Investment Club will hold its first dinner meeting of the New Year at 5:15 p.m., Monday, Jan. 21, at the Boston Yacht Club. The speaker will be the distinguished market analyst, Lucien O. Hooper. For many years Mr. Hooper has been chief analyst for W. E. Hutton & Company. He is a Past President of the New York Society of Security Analysts and the National Federation of Financial Analysts Societies, thus holding top honors in his profession. His topic will be "The Problems Involved in Stock Investments in 1957."

Lucien O. Hooper

Bankers Offer Sears Roebuck Acceptance Corp. 4⅝% Debentures

A nation-wide underwriting group managed jointly by Goldman, Sachs & Co., Halsey, Stuart & Co., Inc., and Lehman Brothers is placing on the market today (Jan. 10) $50,000,000 of Sears Roebuck Acceptance Corp. 4⅝% debentures due 1972. The debentures are priced at 99.20% and accrued interest to yield 4.70% to maturity.

The debentures are not redeemable prior to Feb. 1, 1967. On and after that date, they may be redeemed at the option of the company at 100% and accrued interest.

The financing represents the first public offering of securities of Sears Roebuck Acceptance Corp., organized last November as a wholly-owned subsidiary of Sears, Roebuck and Co., the world's largest general retail merchandising organization. Proceeds from the offering will be used to purchase customer installment receivables from Sears, Roebuck & Co. under arrangements similar to those under which Sears has sold receivables to banks since 1937. On Oct. 31, 1956, Sears' outstanding installment receivables, arising from credit sales, totaled almost a billion dollars. Total sales of Sears, Roebuck & Co. were over $3.3 billion during the fiscal year ended Jan. 31, 1956. The company operates more than 700 retail stores, 750 catalog sales offices and 11 mail order plants throughout the United States, its territories and possessions.

Peter P. McDermott Admits New Partners

On Jan. 17, Eugene M. McDonald will acquire a membersip in the New York Stock Exchange, and will become a partner in Peter P. McDermott & Co., 44 Wall Street, New York City, members of the New York Stock Exchange.

On the same date Mary del Vecchio will become a limited partner in the firm.

Mitchel, Schreiber Admit

Mitchel, Schreiber, Watts & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, will admit Cleo L. Mitchel to limited partnership on Jan. 17.

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. 13	§98.3	*97.3	102.4	98.6
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 13	§2,517,000	*2,490,000	2,522,000	2,428,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 28	7,392,350	7,376,100	7,132,650	6,987,050
Crude runs to stills—daily average (bbls.)	Dec. 28	¶8,395,000	8,061,000	8,114,000	7,907,000
Gasoline output (bbls.)	Dec. 28	28,176,000	28,018,000	27,043,000	27,249,000
Kerosene output (bbls.)	Dec. 28	2,746,000	2,594,000	2,386,000	2,475,000
Distillate fuel oil output (bbls.)	Dec. 28	14,565,000	13,945,000	13,779,000	13,207,000
Residual fuel oil output (bbls.)	Dec. 28	9,004,000	8,856,000	8,567,000	9,366,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 28	185,796,000	180,543,000	175,401,000	165,268,000
Kerosene (bbls.) at	Dec. 28	31,799,000	32,029,000	34,595,000	27,437,000
Distillate fuel oil (bbls.) at	Dec. 28	134,809,000	*134,819,000	153,498,000	112,792,000
Residual fuel oil (bbls.) at	Dec. 28	42,649,000	42,577,000	44,389,000	33,872,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 29	487,546	698,389	752,150	570,412
Revenue freight received from connections (no. of cars)	Dec. 29	523,846	645,437	610,358	554,731
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 3	$323,736,000	$282,274,000	$323,309,000	$160,459,000
Private construction	Jan. 3	144,768,000	148,848,000	207,186,000	59,770,000
Public construction	Jan. 3	178,968,000	133,426,000	116,123,000	100,689,000
State and municipal	Jan. 3	138,390,000	113,253,000	79,848,000	73,869,000
Federal	Jan. 3	40,578,000	20,173,000	36,275,000	26,820,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 29	‡‡5,315,000	11,020,000	10,940,000	‡‡9,202,000
Pennsylvania anthracite (tons)	Dec. 29	414,000	570,000	659,000	503,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 29	112	*265	197	188
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 5	11,671,000	11,196,000	12,047,000	11,057,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 3	222	174	270	198
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 1	5.622c	5.622c	5.622c	5.174c
Pig iron (per gross ton)	Jan. 1	$62.90	$63.04	$63.04	$59.09
Scrap steel (per gross ton)	Jan. 1	$63.50	$63.50	$64.33	$52.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 2	35.575c	35.675c	35.675c	42.975c
Export refinery at	Jan. 2	33.450c	33.800c	34.025c	46.075c
Lead (New York) at	Jan. 2	16.000c	16.000c	16.000c	16.000c
Lead (St. Louis) at	Jan. 2	15.800c	15.800c	15.800c	15.800c
‡Zinc (delivered) at	Jan. 2	14.000c	14.000c	14.000c	13.500c
Zinc (East St. Louis) at	Jan. 2	13.500c	13.500c	13.500c	13.000c
Aluminum (primary pig. 99%) at	Jan. 2	25.000c	25.000c	25.000c	22.500c
Straits tin (New York) at	Jan. 2	99.500c	101.250c	110.625c	108.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 8	87.98	87.75	89.48	94.82
Average corporate	Jan. 8	95.32	95.32	96.69	107.09
Aaa	Jan. 8	99.04	98.88	100.65	110.52
Aa	Jan. 8	97.62	97.78	98.73	109.24
A	Jan. 8	95.77	95.77	96.54	107.09
Baa	Jan. 8	89.09	89.37	91.19	102.13
Railroad Group	Jan. 8	93.82	94.12	95.01	105.34
Public Utilities Group	Jan. 8	96.54	96.69	97.47	107.62
Industrials Group	Jan. 8	95.32	95.47	97.62	108.52
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 8	3.50	3.52	3.36	2.89
Average corporate	Jan. 8	4.05	4.05	3.96	3.33
Aaa	Jan. 8	3.81	3.82	3.71	3.14
Aa	Jan. 8	3.90	3.89	3.83	3.21
A	Jan. 8	4.02	4.02	3.97	3.33
Baa	Jan. 8	4.48	4.46	4.33	3.62
Railroad Group	Jan. 8	4.15	4.13	4.07	3.43
Public Utilities Group	Jan. 8	3.97	3.96	3.91	3.30
Industrials Group	Jan. 8	4.05	4.04	3.90	3.25
MOODY'S COMMODITY INDEX	Jan. 8	435.3	441.6	440.9	406.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 31	**303,228	207,805	287,435	290,959
Production (tons)	Dec. 31	**222,250	280,141	252,372	211,615
Percentage of activity	Dec. 31	**52	96	86	56
Unfilled orders (tons) at end of period	Dec. 31	**419,408	340,551	407,812	577,240
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Jan. 4	110.61	110.16	109.56	107.50
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. 15	1,250,967	1,438,457	1,011,611	1,053,400
Dollar value	Dec. 15	$64,101,832	$79,932,473	$53,691,886	$55,172,447
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 15	1,060,894	1,058,087	759,690	994,765
Customers' short sales	Dec. 15	5,434	6,721	7,084	6,646
Customers' other sales	Dec. 15	1,055,460	1,051,366	752,606	988,119
Dollar value	Dec. 15	$51,258,402	$51,788,355	$37,982,944	$48,269,166
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 15	270,350	227,880	177,750	311,700
Short sales	Dec. 15	------	------	------	------
Other sales	Dec. 15	270,350	227,880	177,750	311,700
Round-lot purchases by dealers—					
Number of shares	Dec. 15	474,340	649,190	438,280	343,460
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. 15	544,540	597,720	588,330	414,230
Other sales	Dec. 15	12,042,060	12,618,720	9,944,750	12,338,630
Total sales	Dec. 15	12,586,600	13,216,440	10,533,080	12,752,860
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 15	1,724,210	1,720,690	1,471,320	1,508,740
Short sales	Dec. 15	328,230	356,480	332,930	189,930
Other sales	Dec. 15	1,261,210	1,374,030	1,100,100	1,250,310
Total sales	Dec. 15	1,589,440	1,730,510	1,433,030	1,440,240
Other transactions initiated on the floor—					
Total purchases	Dec. 15	381,420	424,230	301,440	369,650
Short sales	Dec. 15	28,740	46,300	33,000	12,300
Other sales	Dec. 15	313,860	329,150	277,040	346,690
Total sales	Dec. 15	342,600	375,450	310,040	358,990
Other transactions initiated off the floor—					
Total purchases	Dec. 15	573,745	568,415	437,360	929,440
Short sales	Dec. 15	88,030	100,540	86,080	98,610
Other sales	Dec. 15	474,140	611,949	546,779	842,636
Total sales	Dec. 15	562,170	712,489	632,859	941,246
Total round-lot transactions for account of members—					
Total purchases	Dec. 15	2,679,375	2,713,335	2,210,120	2,807,830
Short sales	Dec. 15	445,000	503,320	452,010	300,840
Other sales	Dec. 15	2,049,210	2,315,129	1,923,919	2,439,636
Total sales	Dec. 15	2,494,210	2,818,449	2,375,929	2,740,476
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Jan. 1	116.4	*116.3	115.9	111.3
Farm products	Jan. 1	88.4	*88.4	88.5	85.6
Processed foods	Jan. 1	103.6	*103.3	103.3	98.5
Meats	Jan. 1	80.7	*81.1	79.8	71.4
All commodities other than farm and foods	Jan. 1	124.7	124.7	124.2	119.8

*Revised figure. ¶Includes 743,000 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. **Nine days ended Dec. 31, 1956. ‡‡Source: National Coal Association.

	Latest Month	Previous Month	Year Ago
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE—Month of Nov. (000's omitted)	$314,400,000	$749,800,000	$294,600,000
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Consumed month of November	880,549	732,319	741,555
In consuming establishment as of Dec. 1	1,433,812	1,153,875	1,545,257
In public storage as of Dec. 1	16,945,675	16,179,344	16,716,200
Linters—Consumed month of November	128,703	154,812	155,018
Stocks Dec. 1	956,839	935,032	1,421,595
Cotton spindles active as of Dec. 1	18,786,000	18,839,000	19,352,000
COTTON GINNING (DEPT. OF COMMERCE)—			
As of Dec. 13 (running bales)	12,788,884	------	13,713,519
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Dec. 1	21,657,000	21,695,000	22,187,000
Spinning spindles active on Dec. 1	18,786,000	18,839,000	19,352,000
Active spindle hours (000's omitted) Dec. 1	11,145,000	9,162,000	9,393,000
Active spindle hours per spindle in place Dec.	445.8	458.1	469.6
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—			
Crop as of Dec. final report (in thousands):			
Corn, all (bushels)	3,451,262	------	3,229,743
Wheat, all (bushels)	997,207	------	934,731
Winter (bushels)	734,995	------	704,793
All spring (bushels)	262,212	------	229,938
Durum (bushels)	39,607	------	19,580
Other spring (bushels)	222,605	------	210,358
Oats (bushels)	1,152,652	------	1,503,074
Soybeans for beans (bushels)	455,869	------	373,522
Barley (bushels)	372,495	------	401,225
Rye (bushels)	21,558	------	29,055
Buckwheat (bushels)	2,032	------	1,934
Flaxseed (bushels)	48,712	------	41,243
Rice (bags)	47,402	------	55,941
Popcorn (pounds)	325,238	------	243,335
Sorghum grain (bushels)	205,065	------	242,526
Sorghum forage (tons)	4,690	------	6,877
Sorghum silage (tons)	8,691	------	9,402
Cotton, lint (bales)	13,303	------	14,721
Cottonseed (tons)	5,495	------	6,043
Hay, all (tons)	108,708	------	112,737
Hay, wild (tons)	8,671	------	9,062
Alfalfa seed (pounds)	163,065	------	212,390
Red clover seed (pounds)	71,900	------	80,682
Alsike clover seed (pounds)	9,063	------	9,909
Sweetclover seed (pound)	34,940	------	48,292
Lespedeza seed (pound)	145,830	------	175,365
Timothy seed (pound)	24,500	------	48,512
Beans, dry (bags)	17,114	------	16,649
Peas, dry (bags)	4,652	------	2,525
Cowpeas for peas (bushels)	1,434	------	2,335
Peanuts, picked and threshed (pounds)	1,566,630	------	1,575,840
Velvetbeans (tons)	140	------	98
Potatoes (hundredweight)—			
Winter	5,260	------	5,175
Early spring	4,022	------	3,800
Late spring	24,330	------	26,948
Early summer	9,503	------	11,058
Late summer	34,133	------	31,262
Fall	165,990	------	148,383
Total	243,238	------	227,046
Sweetpotatoes (hundredweight)	16,922	------	20,946
Tobacco (pounds)	2,145,298	------	2,193,033
Sorgo sirup (gallons)	2,745	------	4,017
Sugarcane for sugar and seed (tons)	6,727	------	7,248
Sugarcane sirup (gallons)	3,720	------	4,910
Sugar beets (tons)	13,052	------	12,228
Maple sugar (pounds)	101	------	121
Maple sirup (gallons)	1,559	------	1,594
Broomcorn (tons)	20	------	44
Hops (pounds)	38,383	------	36,874
Apples, commercial crop (bushels)	97,077	------	106,357
Peaches (bushels)	68,973	------	51,852
Pears (bushels)	31,910	------	29,622
Grapes (tons)	2,914	------	3,241
Cherries (tons)	170	------	263
Apricots (tons)	191	------	281
Plums (tons)	105	------	91
Prunes, dried (tons)	190	------	136
Prunes, other than dried (tons)	82	------	85
Avocados (tons)	25	------	33
Olives (Calif.) (tons)	70	------	36
Oranges (boxes)	140,195	------	137,415
Grapefruit (boxes)	43,200	------	45,280
Lemons (Calif.) (boxes)	13,600	------	12,600
Cranberries (barrel)	975	------	1,026
Pecans (pounds)	160,075	------	146,860
Almonds (Calif.) (tons)	54	------	38
Walnuts (tons)	72	------	77
Tung nuts (tons)	99	------	6
Commercial vegetables for fresh market, 28 crops (tons)	10,811	------	10,517
For processing, 11 crops (tons)	8,260	------	6,213
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average=100—Month of November:			
Sales (average monthly), unadjusted	148	127	136
Sales (average daily), unadjusted	151	120	139
Sales (average daily), seasonally adjusted	120	112	110
Stocks, unadjusted	150	*145	136
Stocks, seasonally adjusted	131	129	119
NEW YORK STOCK EXCHANGE—As of Nov. 30 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$2,816,837	$2,784,232	$2,796,465
Credit extended to customers	32,970	36,014	37,780
Cash on hand and in banks in U. S.	317,346	332,239	346,403
Total of customers' free credit balances	821,688	834,584	876,386
Market value of listed shares	211,411,894	211,627,311	204,649,675
Member value of listed bonds	99,382,421	100,290,666	105,500,618
Member borrowings on U. S. Govt. issues	60,064	54,059	106,136
Member borrowings on other collateral	2,211,198	*2,245,749	2,394,562
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of Oct. (000's omitted):			
Savings and loan associations	$847,957	$779,455	$834,504
Insurance companies	154,263	139,445	152,895
Bank and trust companies	474,741	440,618	505,402
Mutual savings banks	182,855	162,571	167,267
Individuals	326,899	275,209	285,435
Miscellaneous lending institutions	438,671	387,503	441,123
Total	$2,425,386	$2,184,801	$2,386,626
WINTER RYE CONDITION—CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—As of Dec. 1	78%	------	82%
WINTER WHEAT PRODUCTION—CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—As of Dec. 1 (bushels)	624,953,000	------	734,995,000

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.

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 Machine & Foundry Co. (1/23)**
Jan. 4 filed a maximum of $13,925,600 of 20-year convertible subordinated debentures due Feb. 1, 1977 to be offered for subscription by common stockholders of record Jan. 22, 1957 at the rate of one $100 debenture for each 25 shares of common stock held; rights to expire on or about Feb. 7, 1957. Warrants will be mailed on Jan. 23, 1957. **Price**—To be supplied by amendment. **Proceeds**—To provide working capital for expanding sales and rentals. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

American MonoRail Co., Cleveland, O.
Dec. 18 filed 40,000 shares of $1.20 cumulative convertible preferred stock, 1956 series. **Price**—At par ($20 per share). **Proceeds** — For working capital and to reduce bank loans. **Underwriter** — Fulton, Reid & Co., Inc., Cleveland, O. [Registration also covers 30,400 shares of common stock (par $1) already issued and outstanding and being registered for the purpose of offering the purchasers thereof an opportunity to rescind their purchases of such shares.] **Offering**—Expected this week.

● **Arkansas Louisiana Gas Co. (1/14-15)**
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.
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. **Offering** — Expected today (Jan. 10).

★ **Associates Investment Co., South Bend, Ind.**
Jan. 7 filed 85,000 shares of common stock (par $10) to be offered in exchange for the outstanding stock of Capitol Life Insurance Co., Denver, Colo. on the basis of 34 shares of Associates stock for each share of Capitol stock.

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.

★ **Axe-Houghton Fund B, Inc., Tarrytown, N. Y.**
Jan. 7 filed 2,000,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

★ **Bank Shares, Inc.**
Dec. 27 (letter of notification) 30,000 shares of 6% prior preferred series C stock to be offered to holders of series A prior preferred and common stockholders of record Dec. 31, 1956 on the basis of one new share for each four shares of old stock held. **Price**—At par ($10 per share). **Proceeds**—To be added to general fund. **Office**—7th St. & Marquette Ave., Minneapolis, Minn. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

★ **Beautilite Co.**
Dec. 28 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For partial payment for plant site; partial payment of obligation to Memorial Inc. and for working capital. **Office**—4718 W. 18th St., Houston, Tex. **Underwriter**—Benjamin & Co., Houston, Tex.

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. 10).

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.

★ **Buzzards Bay Gas Co.**
Dec. 27 (letter of notification) 6,141 shares of 6% prior preferred stock. **Price**—At par ($25 per share). **Proceeds**—To pay amount of unsecured notes due April 30, 1957 and the balance for other corporate purposes. **Office** — 25 Iyanough Road, Hyannis, Mass. **Underwriter** — Coffin & Burr, Inc., Boston, Mass.

★ **Castle Hot Springs Hotel, Inc.**
Dec. 26 (letter of notification) 200 shares of class A common stock and 9,800 shares of class B common stock to be offered at par ($5 per share); $50,000 of 1½% promissory notes in multiples of $250 each payable on or before Aug. 1, 1974; and 20 convertible promissory notes to be issued in principal amount of $5,000 payable on or before Aug. 1, 1968. **Proceeds** — To operate a hotel. **Address**—Castle Hot Springs, Ariz. **Underwriter**—None.

★ **Caterpillar Tractor Co., East Peoria, Ill.**
Jan. 8 filed 48,612 shares of common stock (par $10) to be offered to holders of company's stock options in accordance with its Restricted Stock Option Plan for officers and other key employees of the company and its subsidiaries.

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.

★ **Chatham Corp.**
Dec. 28 (letter of notification) 250,000 shares of common stock (par 10 cents). **Price** — 40 cents per share. **Proceeds** — To repay outstanding notes; construction of buildings and docks; inventory and working capital. **Office**—20 Ponte Vedra Circle, Ponte Vedra Beach, Fla. **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.

★ **Clausin (S. H.) & Co.**
Jan. 2 (letter of notification) 416 shares of 5% preferred stock to be offered to jewelers who are members of the "Jewel House" program as a patronage dividend on account of purchases of merchandise made by such members from the company. **Price**—At par ($100 per share). **Office**—41 North 12th St., Minneapolis, Minn. **Underwriter**—None.

Community Research & Development, Inc. (1/15)
Dec. 20 filed $3,000,000 of 6% convertible debentures due Jan. 1, 1972. **Price**—To be supplied by amendment. **Proceeds** — To acquire stock of Talbottown Shopping Center and others. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

● **Continental Copper & Steel Industries, Inc. (1/11)**
Dec. 18 filed 200,000 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.

★ **Dayton Rubber Co. (1/28-31)**
Jan. 9 filed $5,000,000 of convertible subordinated debentures due Jan. 1, 1972. **Price** — To be supplied by amendment. **Proceeds** — For working capital. **Underwriter**—Lehman Brothers, New York.

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) being 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. Statement effective Jan. 7, 1957.

● **Economics Laboratory, Inc. (1/15)**
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. (1/11)**
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. **Offering**—Expected today (Jan. 10) or tomorrow (Jan. 11).

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.

NEW ISSUE CALENDAR

January 10 (Thursday)

Missouri Pacific RR._____Equip. Trust Ctfs.
(Bids noon CST) $4,875,000

January 11 (Friday)

Continental Copper & Steel Industries, Inc.___Com.
(Offering to stockholders—underwritten by Allen & Co.; P. W. Brooks & Co. Inc.; and Auchincloss, Parker & Redpath) 200,000 shares

Eternalite, Inc._____Class A Common
(Vickers Brothers) $900,000

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

Spar-Mica Corp._____Preferred & Common
(Hamlin & Lunt; Allen & Co.; Cowen & Co.; and Straus, Blosser & McDowell) about $1,500,000

January 14 (Monday)

Arkansas Louisiana Gas Co._____Common
(Eastman Dillon, Union Securities & Co. and Stephens, Inc.) 364,454 shares

January 15 (Tuesday)

Community Research & Development, Inc.___Debs.
(Alex. Brown & Sons) $3,000,000

Economics Laboratory, Inc._____Common
(W. E. Hutton & Co. and Kalman & Co., Inc.) 100,000 shares

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

Sunrise Fund, Inc._____Common
(Sunrise Capital Corp.) $2,500,000

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 noon EST) $4,650,000

Riegel Textile Corp._____Debentures
(Morgan Stanley & Co.) $12,000,000

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

Pacific Petroleums, Ltd._____Debentures
(Eastman Dillon, Union Securities & Co.) $15,000,000

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

K D I Corp._____Preferred
(McDonald, Holman & Co., Inc.) $499,996

Maine Fidelity Fire & Casualty Co._____Common
(McLaughlin, Cryan & Co.) $1,243,750

Southwestern Gas & Electric Co._____Bonds
(Bids 11 a.m. EST) $10,000,000

January 22 (Tuesday)

Cincinnati, New Orleans, Texas & Pacific Ry._____Equip. Trust Ctfs.
(Bids noon EST) $4,200,000

Pacific Gas & Electric Co._____Bonds
(Bids 8:30 a.m. PST) $35,000,000

Southern Indiana Gas & Electric Co._____Bonds
(Bids to be invited) $5,000,000

January 23 (Wednesday)

American Machine & Foundry Co._____Debentures
(Offering to stockholders—to be underwritetn by Eastman Dillon, Union Securities & Co.) $13,925,600

Atlantic City Electric Co._____Bonds
(Bids 11 a.m. EST) $10,000,000

Chicago, Milwaukee, St. Paul & Pacific RR._____Equip. Trust Ctfs.
(Bids noon CST) $3,000,000

Guardian Consumer Finance Corp._____Preferred
(Van Alstyne, Noel & Co.) $750,000

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.) 65,787 shares

January 24 (Thursday)

Koehring Co._____Common
(Loewi & Co., Inc.) 200,000 shares

Pittsburgh & Lake Erie RR._____Equip. Trust Ctfs.
(Bids noon EST) $6,720,000

January 25 (Friday)

Louisville Gas & Electric Co._____Common
(Offering to stockholders—to be underwritten by Blyth & Co., Inc. and Lehman Brothers) 330,000 shares

January 28 (Monday)

Dayton Rubber Co._____Debentures
(Lehman Brothers) $5,000,000

January 29 (Tuesday)

Hamilton Paper Co._____Common
(Offering to stockholders—to be underwritten by Stroud & Co., Inc.) 108,160 shares

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 31 (Thursday)

Brunswick-Balke-Collender Co._____Debentures
(Offering to stockholders—may be underwritten by Lehman Brothers) $5,800,000

Midland Commercial Corp._____Debentures
(A. J. Grayson & Co., Inc.) $480,000

Midland Commercial Corp._____Common
(A. J. Grayson & Co., Inc.) 52,500 shares

Ohio Edison Co._____Common
(Offering to stockholders—bids 11 a.m. EST) 580,613 shares

Socony Mobil Oil Co._____Common
(Offering to stockholders—to be underwritten by Morgan Stanley & Co.) about 4,400,000 shares

February 1 (Friday)

Colorado Fuel & Iron Corp._____Debentures
(Offering to stockholders—to be underwritten by Allen & Co.) $20,000,000

New England Electric System_____Common
(Exchange offer—Paine, Webber, Jackson & Curtis and F. S. Moseley & Co. to act as dealer-managers) 819,000 shares

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 18 (Monday)

New England Power Co._____Bonds
(Bids to be invited) $10,000,000

February 19 (Tuesday)

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

Southern Counties Gas Co. of California_____Bonds
(Bids to be invited) $15,000,000

March 12 (Tuesday)

Commonwealth Edison Co._____Bonds
(Bids to be invited) $50,000,000

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

● **Ford Gum & Machine Co., Inc. (3/15)**
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. (2/15)**
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.

★ **Fuller (W. P.) & Co.**
Dec. 26 (letter of notification) 5,000 shares of common stock (par $20) to be offered to certain designated key employees pursuant to an Employees Stock Purchase Plan. **Price** — $32 per share. **Proceeds** — For working capital. **Office**—301 Mission St., San Francisco 19, Calif. **Underwriter**—None.

General Credit, Inc., Washington, D. C.
Aug. 17 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working captal. **Underwriter** — None named. Offering to be made through selected dealers.

General Telephone Co. of Michigan
Dec. 18 filed 160,000 shares of $1.35 cumulative preferred stock (par $25), to be offered in exchange for the outstanding shares of $2.70, $2.75, $1.44 and $1.35 cumulative preferred stocks of Union Telephone Co. on the following basis: For each share of Union $2.70 or $2.75 preferred, two shares of General preferred, plus $2 in cash; for each share of Union $1.44 or $1.35 preferred, one share of General preferred, plus $1.25 in cash. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York. **Offering**—Expected today (Jan. 10).

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.

★ **Grain Belt Supply Co.**
Dec. 31 (letter of notification) 705 shares of common stock (par $100). **Price**—$238.83 per share. **Proceeds**—To go to four selling stockholders. **Office**—4902 S. 33rd St., Omaha, Neb. **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. (1/23-24)**
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.

★ **Hamilton Paper Co., Miquon, Pa. (1/29)**
Jan. 2 filed 108,160 shares of common stock (par $5) to be offered for subscription by common stockholders of record about Jan. 29, 1957 at the rate of one new share for each two shares held; rights to expire about Feb. 11. **Price**—To be supplied by amendment. **Proceeds**—Together with proceeds from a new $1,500,000 loan from an insurance company, to purchase a new paper machine, together with auxiliary equipment, at the Miquon plant; for additional capital expenditures and working capital. **Underwriter**—Stroud & Co., Inc., Philadelphia, Pa.

★ **Hamlin Exploration & Mining Co.**
Dec. 12 (letter of notification) 9,500,000 shares of common stock (par one cent). **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—5651 Emile St., Omaha, Neb. **Underwriter**—None.

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Hancock Electronics Corp., Redwood City Calif.
Nov. 19 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For research and development. **Business**—Closed circuit television. **Office**—2553 Middlefield Road, Redwood City, Calif. **Underwriter**—Daniel Reeves & Co., Beverly Hills, Calif.

Hartfield Stores, Inc.
Oct. 2 filed 240,000 shares of common stock (par $1). **Price**—$9 per share. **Proceeds**—To certain selling stockholders. **Underwriter**—Van Alstyne, Noel & Co., New York; and Johnston, Lemon & Co., Washington, D. C. **Offering**—Postponed.

Hawaiian Pineapple Co., Ltd.
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. Statement effective Dec. 26.

★ **Hongegger's Co., Inc., Fairbury, Ill.**
Dec. 18 (letter of notification) 12,000 shares of common stock (no par). **Price**—$25 per share. **Proceeds**—For working capital. **Underwriter**—None.

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.

Hub Oil Co., Denver, Colo.
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. **Office**—413 First National Bank Bldg., Denver, Colo. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

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.

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. (1/21-25)**
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.

★ **Koehring Co. (1/24)**
Jan. 4 filed 200,000 shares of common stock (par $2). **Price** — To be supplied by amendment. **Proceeds** — To reduce short-term bank loans and for working capital. **Underwriter**—Loewi & Co., Inc., Milwaukee, Wis.

★ **Lamac, Inc.**
Jan. 2 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining expenses. **Underwriter**—None.

● **Life Insurance Co. of South Carolina**
Oct. 15 filed 339,600 shares of common stock (no par) to be offered for subscription by stockholders of record Sept. 12, 1956 at the rate of two shares of new stock for each share held. **Price**—To stockholders, $10 per share; and to public, $15 per share. **Proceeds**—For expansion and working capital. **Underwriter**—None. Public offering will be made by employees of the company and qualified licensed dealers. Statement effective Dec. 28.

★ **Lime Rock Corp., Salisbury, Conn.**
Dec. 20 (letter of notification) 125 shares of class A common stock (par $100), 200 shares of class B common stock (par $50) and $22,500 in five-year 4% debentures (purchase to be divided between either class A or class B stock and an equal dollar amount of debentures). **Price**—At par. **Proceeds**—For payment on construction; payment on lease; advertising and for general operating expenses. **Underwriter**—None.

Louisiana Power & Light Co. (1/15)
Dec. 4 filed $20,000,000 of first mortgage bonds due 1987. **Proceeds**—For reduction of bank loans and construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and Harriman Ripley & Co. Inc. (jointly); Salomon Bros. & Hutzler; The First Boston Corp., and Glore, Forgan & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly). **Bids**—To be received up to noon (EST) on Jan. 15, 1957 at Room 2033, Two Rector Street, New York 6, N. Y.

★ **Louisville Gas & Electric Co. (Ky.) (1/25)**
Jan. 3 filed 330,000 shares of common stock (no par) to be offered for subscription by common stockholders of record Jan. 24, 1957, on the basis of one new share for each ten shares held (with an oversubscription privilege); rights to expire on Feb. 11, 1957. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Blyth & Co., Inc. and Lehman Brothers, both of New York.

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.

★ **Mason Mortgage Fund, Inc.**
Dec. 10 (letter of notification) $132,500 of 8% note certificates due nine months after date of issuance but renewable for an additional nine months. **Price**—At par (in denominations of $250, $500 and $1,000). **Proceeds**—For purchase of first and second trust real estate mortgages. **Office**—Meridian Hill Studios, Suite No. 7, 2633 15th St., N. W. Washington, D. C. **Underwriter**—None.

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 Abrasive Co.**
Dec. 31 (letter of notification) 30,000 shares of common stock (par $1) to be offered to present holders of 6% cumulative convertible preferred stock in discharge of dividend arrearages owing on such preferred stock on a basis of one-half share for each $1.65 of such arrearages up to and including all periods ended Sept. 30, 1956. **Office**—11900 E. Nine Mile Road, Detroit, Mich. **Underwriter**—None.

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 Commercial Corp., New York (1/28-31)**
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 (1/28-31)**
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 January 15, 1957; rights to expire January 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.

★ **Mountain City Uranium Co.**
Dec. 27 (letter of notification) 1,250,000 shares of common stock. **Price**—At par (two cents per share). **Proceeds**—For mining expenses. **Office**—517 Idaho St., Elko, Nev. **Underwriter**—None.

★ **Mountain States Telephone & Telegraph Co. (1/29)**
Jan. 4 filed $35,000,000 debentures due Feb. 1, 1988. **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent, which were used 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 Fidelity Insurance Co.
Nov. 30 (letter of notification) 33,000 shares of common stock (par $1.25) to be offered to stockholders on the basis of one share for each seven shares held. **Price**—$8 per share. **Proceeds**—For working capital. **Office**—314 Pine St., Spartanburg, N. C. **Underwriter**—None.

National Old Line Insurance Co.
Nov. 15, 1956 filed 50,000 shares of class A common stock (par $2) and 50,000 shares of class B common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office** — Little Rock, Ark. **Underwriter** — Equitable Securities Corp., Nashville, Tenn., and New York, N. Y. **Offering** — Indefinitely postponed.

New Brunswick (Province of) (1/16)
Dec. 14 filed $10,000,000 of 25-year sinking fund debentures due Jan. 1, 1982. **Price**—To be supplied by amendment. **Proceeds**—To be advanced to The New Brunswick Electric Power Commission to repay bank loans. **Underwriter**—Halsey, Stuart & Co. Inc., New York and Chicago.

★ **New Canaan Co.**
Dec. 14 (letter of notification) 2,000 shares of class A common stock. **Price**—At par ($25 per share). **Proceeds**—To reduce indebtedness. **Address**—P. O. Box 1105, New Canaan, Conn. **Underwriter**—None.

● **New England Electric System (2/1)**
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.

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.

★ **Northwest Oil & Refining Corp.**
Dec. 26 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For payment on contract for purchased property and working capital. **Office**—120 N. 30th St., Billings, Mont. **Underwriter**—None.

● **Northwestern Public Service Co.**
Dec. 18 filed 54,120 shares of common stock (par $3) being offered for subscription by common stockholders of record Jan. 8, 1957 on the basis of one new share for each

10 shares held; rights to expire on Jan. 22. **Price**—$15 per share. **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 Edison Co. (1/30)**
Jan. 3 filed 580,613 shares of common stock (par $12) to be offered for subscription by common stockholders of record Jan. 31, 1957 at the rate of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on Feb. 15, 1957. **Price**—To be fixed on Jan. 28. **Proceeds**—For additional investment in common stock of Pennsylvania Electric 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); Merril Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp. **Bids**—To be received up to 11 a.m. (EST) on Jan. 30 at the office of Commonwealth Services, Inc., 300 Park Ave., New York, N. Y.

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**—To be received up to 10:30 a.m. (EST) on Jan. 17 at The First National City Bank of New York, 2 Wall St., New York 15, N. Y.

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 up to 8:30 a.m. (PST) on Jan. 22.

● **Pacific Petroleums Ltd. (1/17-18)**
Dec. 20 filed $15,000,000 of subordinate debentures due Jan. 1, 1977. **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans and for expansion program. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

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.

★ **Plastic Wire & Cable Corp.**
Dec. 27 (letter of notification) 14,514 shares of common stock (par $5) to be offered to stockholders of record Dec. 17, 1956 on the basis of one new share for each 12 shares held. **Price**—$16.50 per share. **Proceeds**—For expansion and additional working capital. **Office** — East Main St., Jewett City, Conn. **Underwriter**—None.

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.

★ **Quarterly Distribution Shares, Inc.**
Jan. 3 filed (by amendment) 100,000 additional shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—Kansas City, Kansas.

● **Riegel Textile Corp. (1/16)**
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.

★ **Savoy Oil Co., Inc.**
Dec. 20 (letter of notification) 37,500 shares of common stock (par 25 cents). **Price**—At market (estimated at $8 per share). **Proceeds**—To be added to general funds and may be applied to exploration, development and acquisition of additional properties. **Office** — 416 Enterprise Bldg., Tulsa, Okla. **Underwriter**—Dreyfus & Co., New York, N. Y.

● **Scovill Manufacturing Co.**
Dec. 14 filed 176,450 shares of common stock (par $25) being 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**—$28.50 per share. **Proceeds**—For expansion and working capital. **Underwriter**—Morgan Stanley & Co., New York.

★ **Skaggs Oil Co.**
Dec. 11 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For retirement of outstanding accounts payable and short term notes and for working capital. **Office** — 6900 S. Shields Blvd., Oklahoma City, Okla. **Underwriter**—None.

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. (1/21)**
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 up to 11 a.m. (EST) on Jan. 21 in New York.

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, Tex. Statement withdrawn on Nov. 21.

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. (1/11)**
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.

★ **State Realty Investment Corp. of Springfield**
Dec. 27 (letter of notification) $250,000 of capital debenture bonds as follows: $50,000 of 6% series A bonds in denominations of $50 due on demand, after 90 days; $100,000 of 6½% series B in denominations of $100 due serially 1963 to 1964 and $100,000 of 7% series C in denominations of $100 due serially 1963 to 1969. **Proceeds** — To purchase commercial and industrial income property; to acquire land and to build stores, apartments, etc.; and for working capital. **Office** — 90 State St., Springfield 3, Mass. **Underwriter**—None.

● **Sunrise Fund, Inc., New York, N. Y. (1/15)**
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

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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.

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.

★ **Vanadium-Alloys Steel Co., Latrobe, Pa.**

Dec. 28 (letter of notification) 4,293 shares of capital stock (no par) to be offered to employees. **Price**—To be equivalent to the last sales price on the American Stock Exchange on the day preceding the acceptance of the offer—(estimated at $32 per share). **Proceeds**—For general working capital. **Underwriter**—None.

★ **Vanderbilt Mutual Fund, Inc., Los Angeles, Calif.**

Dec. 31 filed 50,000 shares of common stock (par $1). **Price**—At market. **Proceeds** — For investment. **Underwriter**—Vanderbilt Mutual Fund Management Corp., 458 So. Spring St., Los Angeles 13, Calif.

● **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 (name changed to Alfred D. Laurence & Co.), Miami, Fla.

★ **Western Light & Telephone Co., Inc. (1/23)**

Jan. 4 filed a maximum of 65,787 shares of cumulative convertible preferred stock (par $25) to be offered for subscription by common stockholders of record Jan. 22, 1957, on the basis of one preferredd share for each eight shares of common stock held; rights to expire Feb. 6. **Price**—To be supplied by amendment. **Proceeds**—To redeem 5½% convertible preferred stock and for construction program. **Underwriter** — Dean Witter & Co., San Francisco, Calif.

● **Wheland Co., Chattanooga, Tenn.**

May 23 filed $2,000,000 of convertible subordinated debentures due June 1, 1976, and 136,000 shares of common stock (par $5). Of the latter, 75,000 shares are to be offered for 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. Statement withdrawn Dec. 19, 1956.

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.

★ **Wisconsin Fund, Inc., Milwaukee, Wis.**

Dec. 31 filed (by amendment) 600,000 additional shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

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 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 Bos on 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 bidd ng. 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., Chicag,o Ill. **Registration**—Planned in January. **Offering**—Expected in mid-February.

Brazos River Gas Co. (Texas)

Nov. 12 it was reported that early registration is expected of approximately 200,000 shares of common stock of this company, formerly Upham Gas Co. **Price**—Expected to be about $5 per share. **Proceeds**—To selling stockholders. **Underwriters**—Shields & Co. and Shearson, Hammill & Co., both of New York.

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.

★ **Central Maine Power Co.**

Dec. 31, W. F. Wyman, President, announced that "while the company expected to do some permanent financing in 1957, no definite plans have yet been worked out. Bank loans outstanding at the year end totaled $10,500,000. Construction expenditures for 1957 are now estimated at between $19,000,000 and $20,000,000. It is estimated that $5,500,000 of the amount needed for this program will be supplied from internal cash with the balance to be supplied from outside sources. **Underwriters**—Any common stock offer (first to stockholders) may be underwritten by Harriman, Ripley & Co. Inc., The First Boston Corp. and Coffin & Burr, Inc. Bidders for any bonds may include: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp. and Coffin & Burr, Inc. (jointly); Harriman, Ripley & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler.

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 will be received by the company up to noon (CST) on Jan. 23 for the purchase from it of $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 will be received by the company up to noon (EST) on Jan. 22 for the purchase from it of $4,200,000 equipment trust certificates, series L, to mature in 20 equal semi-annual instalments. 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.

● **Coastal Transmission Corp., Houston, Tex.**

Dec. 28, the FPC authorized this corporation to build 574 miles of pipeline to cost approximately $54,589,000 from a point in Hidalgo County, Tex., to the point of connection with Houston Texas Gas & Oil Corp.'s system in East Baton Rouge Parish, La. **Underwriters**—May be Lehman Brothers and Allen & Co., both of New York.

● **Colorado Fuel & Iron Corp. (2/1)**

Dec. 24 it was announced company plans to offer $20,000,000 of 20-year convertible debentures to common stockholders of record Jan. 31, 1957. **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.

★ **Commonwealth Edison Co. (3/12)**

Jan. 3, Willis Gale, Chairman, announced company plans to issue and sell $50,000,000 of first mortgage bonds due 1987. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. **Bids** — Expected to be received on March 12. **Registration**—Planned for sometime in February.

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. 13, Thomas Roy Jones, President, announced that the company plans a public offering in January, 1957, of about $6,000,000 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 were to vote Jan. 8 on approving the offer. **Price**—$45 per share. **Office**—Richmond, Va. **Underwriter** — Scott & Stringfellow, Richmond, Va.

★ Florida Power Corp.

Jan. 3 it was reported that company plans to offer to its stockholders in May or June about $11,000,000 of additional common stock on a 1-for-10 basis. **Underwriters** — Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co., both of New York.

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.

● Houston Texas Gas & Oil Corp., Houston, Tex.

Dec. 28 the FPC authorized this corporation to build 942.6 miles of main line extending from the Mississippi River connection across Louisiana, Mississippi and Alabama, and then eastwardly across the Florida panhandle and down the Florida peninsula to a terminal south of Miami in Dade County, Fla., estimated to cost a total of $94,285,000. **Underwriters**—May be Blyth & Co., Inc., San Francisco, Calif., and Scharff & Jones, Inc., New Orleans, La.

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.

Jan. 9, this bank offered 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. **Underwriter** — Paine, Webber, Jackson & Curtis.

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.

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.

★ Laclede Gas Co.

Jan. 4 it was announced stockholders will vote Jan. 24 on authorizing $10,000,000 of debentures and on increasing authorized preferred stock (par $25) by 400,000 shares to 880,000 shares. The company has no immediate plans to issue any of these securities. **Underwriters**—To be determined by competitive bidding. Probable bidders: (a) For debentures—Halsey, Stuart & Co. Inc.; Lehman Brothers; Blair & Co. Incorporated and Drexel & Co. (jointly); Stone & Webster Securities Corp. (b) For preferred stock—Lehman Brothers, Merrill Lynch, Pierce, Fenner & Beane and Reinholdt & Gardner (jointly); Bear, Stearns & Co. and A. C. Allyn & Co. (jointly); Blair & Co. Incorporated and Drexel & Co. (jointly); White, Weld & Co.; Ladenburg, Thalmann & Co.

Macy (R. H.) & Co., Inc.

Dec 19 it was announced company plans to offer up to $12,377,000 of convertible subordinated 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. and Equitable Securities Corp. (jointly). **Bids**—Tentatively expected to be received on April 11.

● Missouri Pacific RR. (1/10)

Bids will be received by the company up to noon (CST) 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.

National Bank of Commerce, Memphis, Tenn.

Nov. 13 it was announced stockholders were to 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. (2/18)

Dec. 31, it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1987. **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 up to noon (EST) on Feb. 18 at 441 Stuart Street, Boston 16, Mass. **Registration**—Expected this month (January).

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 will be received by the company up to noon (EST) on Jan. 16 for the purchase from it of $4,650,000 equipment trust certificates, series A, to mature in 30 equal semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

★ Pioneer Natural Gas Co.

Jan. 7 it was reported registration is expected in February of about $12,500,000 debentures, for public offering early in March. **Underwriter** — Eastman Dillon, Union Securities & Co., New York.

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● Pittsburgh & Lake Erie RR. (1/24)
Bids will be received by this company up to noon (EST) on Jan. 24 for the purchase from it of $6,720,080 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.

★ Potomac Edison Co.
Dec. 27 it was announced company may this year issue some $14,000,000 to $15,000,000 of senior securities. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—For any bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Equitable Securities Corp.; Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers; Kidder, Peabody & Co.; W. C. Langley & Co. and The First Boston Corp. (jointly). **Offering**—Expected in May.

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 company on Jan. 3 stated it does not intend to offer up to $100,000,000 of debentures. **Proceeds**—For exploration and development costs and for plant expansion. **Underwriter** — Morgan Stanley & Co., New York. **Registration**—Expected today (Jan. 10).

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 Counties Gas Co. of California (3/5)
Jan. 7 it was reported company may issue and sell about $15,000,000 first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; The First Boston Corp.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Tentatively expected to be received on March 5.

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.

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.

★ Texas Electric Service Co.
Jan. 2 it was announced company expects to sell new securities during 1957 to obtain capital for its continuing plant expansion. **Underwriter** — For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); The First Boston Corp.; Eastman Dillon, Union Securities & Co.; Kuhn, Loeb & Co., Blyth & Co., Inc. and Lehman Brothers (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly).

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 Massachusetts Companies
Dec. 17 it was reported company plans to issue and sell about $10,000,000 of first mortgage bonds in the Spring. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Lee Higginson Corp. (jointly); Blyth & Co. Inc.; Blair & Co. Incorporated; Coffin & Burr, Inc.; The First Boston Corp. and White, Weld & Co. (jointly).

Western Pennsylvania National Bank
Nov. 13 it was reported Bank plans to offer to its stockholders 132,812 additional shares of capital stock on a 1-for-3 basis. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Office**—McKeesport, Pa.

Winters National Bank & Trust Co. (1/15)
Dec. 3 it was announced Bank plans to offer to its stockholders on or about Jan. 15 the right to subscribe for 175,000 additional shares of capital stock on a 1-for-4 basis; rights to expire on Jan. 30. **Price**—$22 per share. **Underwriter**—Greene & Ladd, Dayton, Ohio.

Wrigley Properties, Inc.
Dec. 6 it was announced this company, a newly formed subsidiary of ACF-Wrigley Stores, Inc., plans to offer its shares of capital stock for subscription by the latter's stock, debenture and option holders, the offering to stockholders to be on the basis of one share of Properties stock for each two shares of ACF-Wrigley. **Proceeds**—To develop locations principally for use by the parent company, which may include individual locations, warehouse sites and shopping centers. **Underwriter**—Allen & Co., New York. **Registration**—Expected shortly.

Our Reporter's Report

The new issue market appeared to be away to a flying start this week as underwriters began the task of floating the heavy rush of new securities lined up for public offering by industry to obtain funds for expansion.

Priced right, and with yields attractive, plus the fact that issuers have not attempted to insert any short-term "callable privilege" against the possibility of any sudden turn in the money market, new issues moving to market this week met with remarkably good reception.

It appears that major institutional investors who had been letting their funds pile up in anticipation of just such an opportunity as now presents itself, were coming into the market in a manner not witnessed in recent months.

Insurance companies, pension funds and trusts presumably found the types of offerings, along with the terms, quite to their liking after weeks of having held more or less aloof.

At the moment, say some observers, it appears that buyers are anxious to take on current offerings spurred by the possibility, though it appears little more than just that at the moment, that the money market might develop some ease which would force bond prices up and yields down.

Some bankers feel that money rates may be around their tops for this phase of the cycle, but this theory is far from universal despite growing pressure in Washington "to do something about it."

A Few Examples

By way of illustrating the changed situation in the market, Idaho Power Co.'s $20 million of 30-year bonds, carrying a 4½% coupon, were reported moving briskly.

Even more impressive was the manner in which investors snapped up $25 million of 4¼%, 25-year debentures offered for Standard Oil Co., of Ohio. Priced at 100 to yield 4.25%, this issue was reported to have been all taken.

New England Telephone & Telegraph Co.'s $35 million of debentures, bid in as 4¾s and brought to market at a price of 102.388 to yield 4.60% aroused brisk interest with early reports having the "pot" cleaned quickly.

Will Bear Watching

Though naturally cheered by the behavior of the market in face of this week's outpouring, which included $100 million of World Bank bonds along with $125 million of Aluminum Co. of America's debentures and $50 million of Sears, Roebuck Acceptance Corp. debentures, a certain air of caution prevailed in distributing circles.

Corporations have set their sights on raising upwards of $2.1 billion of capital through the first quarter. That is a lot of capital by any rule of measurement. The funds must come from somewhere, probably largely out of cash which has been accumulated in anticipation of such demand.

However the secondary market will be watched closely for any indications of selling of outstanding securities by holders to avail themselves of current higher coupon rates and yields.

Next Week

The new week will provide a fairly substantial volume of new offerings although the total will not come within many millions of matching that of the current period.

However, the schedule shows more than $114 million of debt securities on schedule for public offering plus $70 million of Province of New Brunswick debentures. Largest of scheduled corporate offerings is Household Finance Corp's $30 million of 20-year, sinking fund debentures.

Rounding out the schedule is a series of equity offerings, slated, by public utility companies, topped by Arkansas-Louisiana Gas Co.'s 964,454 shares of common and 819,000 shares of common stock of New England Electric System.

TV - ELECTRONICS FUND total assets reached an all-time high at the close of 1956, Chester D. Tripp, President, reported. Resources of the fund totalled $138,209,373 on Dec. 31, an 18.5% increase over the $116,730,597 in net assets shown at the end of 1955.

Net asset value a share of the fund also rose during the year, from $11.55 to $11.79, adjusted for a 55.7c distribution from realized capital gains paid to shareholders on Nov. 30. Taking this distribution into account, capital appreciation per share amounted to a gain of 6.9% during the year. In 1956, the fund also paid out a total of 36.6 cents per share to stockholders in dividends from investment income.

Leighton Frooks Opens

COLLEGE POINT, N. Y.—Leighton Frooks is engaging in a securities business from offices at 13-05 136th Street.

Mutual Funds

By ROBERT R. RICH

Consumer Durables Called Boom Prop

One of the most significant aspects of the postwar business boom has been the sustained upsurge in production and sales of consumer durable goods, according to an analysis by Calvin Bullock, Ltd., managers of mutual funds with assets totaling more than $400,000,000.

All phases of the economy are inextricably interrelated, the study points out, and it is obvious that had it not been for the strength of consumer durables the vitality of the industrial plant expansion and modernization program would have been considerably impaired.

Although in recent months there has been some drop in television receivers and certain types of household appliances, on the basis of figures through October it now appears that output of consumer durables for 1956 is not likely to be more than about 10% below the all-time record level of 1955. From the standpoint of consumption, figures for the first nine months of this year reveal that expenditures for durable goods were running only 5½% below the average for 1955.

The tremendous importance of sales of consumer durables to the postwar economy may be seen in the fact that in 1939 they accounted for 7.3% of total gross national product, while, by 1955, after seven or eight years of practically capacity production, they represented 9.9%. Expressed somewhat differently, the publication says, consumption of consumer durables in 1955 represented an increase of 430% over 1939, as compared with an increase in gross national product of 295%.

In 1955, according to the report, durable goods accounted for 14% of total personal consumption expenditures of $253,900,000,000, whereas in 1939 they accounted for only 9.8%. The table below shows the prewar and postwar relationships of expenditures for consumer durables, non-durables and services:

	1939	1946	1955	Third Quarter 1956
Durable Goods	9.8%	10.8%	14.0%	14.4%
Non-durable Goods	52.0	58.4	49.7	50.2
Services	38.2	31.8	36.3	37.4

In discussing durable consumer goods, the study points out that the nucleus of the boom has been in the automobile and automotive equipment field. "The automobile industry was by all odds the dominant factor in prewar consumer durables, accounting for 32.4% of total expenditures in this category. In the postwar years, the automobile has become even more important, with purchases of new cars, and net purchases of old cars plus tires, tubes and accessories, accounting for 48.1% in 1955." Consumption in 1955 in this field totaled $17,178,000,000, compared with $3,671,000,000 for furniture and $1,834,000,000 for television receivers, the three leaders among consumer durables.

In conclusion the analysis points out that the basic factors behind the postwar prosperity of consumer durables have been a surprisingly large backlog of wartime deferred demand, the development of new products and improvement of old models, plus an enlightened pricing policy whereby technological advances have been passed on to the eager consumer at little or no extra cost. It is quite evident that the remarkable vigor of consumer durables has been one of the bulwarks of the postwar business boom.

Keystone Income Fund At Peak

Keystone's Income Common Stock Fund S-2 ended its fiscal year on Nov. 30 with a series of new highs. The largest distributions in 19 years were paid to shareholders: 52 cents regular income and $1 from net capital gains realized from sale of portfolio securities. Year-end assets reached an all-time high of $62,386,278 and number of shareholders hit a new peak of 21,125. They held a record number of 5,505,781 shares, making S-2 the second largest of Keystone's 10 separate funds.

The annual report points out that regular distributions over the past decade, totalling $4.69, have more than kept pace with the cost of living, which rose 41% in this period. In addition, with reinvestment of capital gains distributions, shares have increased 108% in capital value over this period.

The Keystone S-2 portfolio showed 55 issues in 19 industries. More than half the total net asset value of the fund on Nov. 30 was invested in steel, utilities, rails, oil, and non-ferrous metals. Major increases were made in the metal, oil and machinery fields, all of which did well in 1956.

International Resources Fund, Inc. assets totaled $14,337,722 at Nov. 30, 1956 compared with $11,211,054 on the same date last year, Coleman W. Morton, President, announced in the annual report to shareholders covering the fund's first full year of operation. Shares outstanding on Nov. 30, 1956 totaled 3,106,970 as compared with 2,422,809 on the corresponding date in 1955.

The International Resources Fund invests primarily in companies, both United States and foreign, possessing large known reserves of natural resources. At Nov. 30, 1956, common stocks represented 94% of assets.

"Increasing world-wide political tensions" have been reflected in "changing economic prospects and investment valuations," Mr. Morton said. He pointed out that "the Suez crisis has not only created real short-term problems for the international oil companies in the Middle East, but the prospect of temporarily reduced industrial activity in Europe has had a marked influence on various commodity and raw materials prices." He said he did not think that most of these "adverse factors" were of a long-term nature.

With Barret, Fitch

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Mrs. Jewell W. Herrick has become associated with Barret, Fitch, North & Co., 1006 Baltimore Avenue, members of the Midwest Stock Exchange. Mrs. Herrick was formerly with Dewey, King & Johnson and prior thereto with Barrett Herrick & Co., Inc.

Science & Nuclear Fund Increases Quarterly Div.

The Board of Directors of Science & Nuclear Fund declared an increased regular quarterly dividend of five cents a share from net investment income payable Jan. 29, 1957 to shareholders of record Jan. 15, 1957. Previous regular dividends had been four cents quarterly.

On Dec. 31, 1956 total net assets of Science & Nuclear Fund were reported by management to be $1,669,333, an increase of $728,300 or 77.4% over those of a year ago. During the same period net asset value increased from $10.76 to $11.73 per share.

The fund also announced gross sales, for the 12-month period just ended of $867,173.

Major new additions to Science & Nuclear Fund during the year were reported as follows: Allegheny Ludlum 4% conv. deb., National Research Corp. 5% conv. deb., and Northspan Uranium Mines, Ltd. 5¾% bonds with warrants attached. Common stocks also added were Climax Molybdenum, Kawecki Chemical Co., Newport News Shipbuilding & Drydock Co., and Shell Oil Co.

Major eliminations were Beryllium Corp., Blaw-Knox, Combustion Engineering, Inc., and Charles Pfizer & Co.

Forecasts of the Future Available

"Forecasts of the Future" is the title of the latest monthly Sales and Information Bulletin published by Hugh W. Long and Company, Elizabeth, New Jersey. The Bulletin comments on forecasts first issued in 1954 by the Congressional Joint Committee on the Economic Report, in the light of what has transpired in our economy in the years since the Report was issued.

The Sales and Information Bulletin points out that 1956 figures (expressed in dollars of 1953 buying power) verify the value of this forecast. Corporate dividends are of special interest. In 1953, they amounted to $9.3 billion; in 1956, $11.5 billion. The Committee estimated they will amount to $18 billion in 1965 — double the 1953 figure.

Most economic factors covered by the report—including population, gross national product and disposable personal income are expected to be greater in 1965. To date they have all increased. There is one exception, however. Average work hours per man are predicted at 1,855 per year in 1965, which is 185 hours less than the figure which existed when the report was issued.

Special reprints of "Forecasts of the Future" for mailing to clients and prospects are available on request from Hugh W. Long and Company, Inc., Elizabeth 3, New Jersey.

Wellington Sales Record

Wellington Fund finished 1956 with the largest sales volume of any year in the fund's 28-year history, A. J. Wilkins, Vice-President, reported today. Mr. Wilkins stated that sales of Wellington Fund for the year 1956 reached a record $101,097,000, an increase of $28,644,000 or 39% over sales of $72,453,000 in 1955, the previous record year.

Institutional Shares Reports

Emlen S. Hare, President of Institutional Shares, Ltd. and Institutional Income Fund, Inc., reported increases of 38% in total net assets of the five Institutional Funds during the 1955-56 fiscal year which ended Nov. 30, 1956. The assets rose from $34,183,914 to $47,233,076.

Wellington's 108th Consecutive Div. At All-Time High

Wellington Fund on Dec. 27 distributed its 108th consecutive quarterly dividend to shareholders. The distribution, consisting of 12 cents a share from net investment income and 45 cents a share from net realized securities profits involves the payment of more than $24,500,000, the largest total amount ever distributed to shareholders by the Fund in any one quarter in its history. Wellington Fund shares were split two-for-one in April, 1956.

The current dividend disbursement includes $5,316,000 from net investment income and $19,283,000 from net realized securities profits. Close to 200,000 shareholders, the largest number in Wellington's history, are participating in the distribution.

In the past 26 years Wellington Fund shareholders have received $89,300,000 from net investment income and $72,300,000 from net realized securities profits.

The nationwide acceptance of the mutual fund concept of investing can be gauged from the growth of Wellington Fund in both assets and shareholders over the past 20 years. At present Wellington is one of the 100 largest financial institutions in the country. Back in 1936 Wellington had assets of $2,980,000. By 1946 assets had grown to $36,500,000 and currently they substantially exceed the $500,000,000 mark.

Wellington Fund at present ranks 10th among all corporations in the country in number of common shareholders. Back in 1936 Wellington had 6,500 shareholders. By 1946 this figure had grown to 16,500 and currently the number is approaching the 200,000 mark.

Canada General Reports Gains

Canada General Fund (1954) Limited reports net assets of $71,514,284 on Nov. 30, 1956, the close of the first quarter of the fund's present fiscal year, equal to $12.15 per share. These figures compare with net assets of $63,158,558 on Nov. 30 of last year, amounting to $11.23 per share. During the 12-month period the number of shares outstanding increased from 5,622,243 to 5,885,492.

In the current report, Henry T. Vance, President, notes that: "In accordance with action taken by the shareholders at our annual meeting, an application has been signed for supplementary Letters Patent which will eliminate the (1954) from the official name of our fund. We anticipate that such a change will become effective on Dec. 31, 1956 so that from that time forward the fund will be known as Canada General Fund Limited."

A feature of the report is a section headed "Pipe Lines Review" which points up the importance of this industry in the Canadian economy, not only directly but also indirectly in relation to Canada's expanding oil and natural gas production. The fund's list of investment holdings as of Nov. 30 shows 6.02% of net assets in pipe line stocks and 20.14% in oil and gas companies.

Canadian Fund assets reached a year-end high on Nov. 30, 1956, according to Hugh Bullock, President, in the annual report to shareholders. With securities valued at market quotations on that date, total net assets were $38,359,078 as compared with $34,735,295 one year earlier.

Net asset value per share rose from $17.40 at the beginning of the 1956 fiscal year to $18.35 on

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Mutual Funds

Nov. 30, 1956. Giving effect to the distribution of 58 cents per share from net securities profits during the year (shareholders accepted more than 75% of this distribution in the form of additional shares of stock) the net asset value at Nov. 30, 1956 was $18.93, reflecting a gain of 8.8% for the year.

Canadian Fund also paid four quarterly dividends in 1956 totaling 42 cents per share, a 13.5% increase over dividends paid in 1955.

Bullock Fund Assets Reach New Record

Net assets of Bullock Fund, Ltd., mutual fund supervised by Calvin Bullock, Ltd., were $31,158,363 at Nov. 30, 1956, a new high for the end of any fiscal year, according to Hugh Bullock, President. Net assets a year earlier were $27,391,699.

On a share basis, the net asset value of Bullock Fund increased from $12.11 on Nov. 30, 1955 to $12.48 on Nov. 30, 1956. After giving effect to the capital gains distribution of 60 cents per share made to shareholders on Nov. 27, 1956 the net asset value per share showed a gain of 8% for the year.

This increase, Mr. Bullock said, was recorded despite the decline in accepted common stock averages. Throughout the period, investments have been concentrated in common stocks, and, at the end of the current fiscal year, 85.7% of total net assets were invested in this type of security.

Total dividends from net investment income in 1956 were increased to 40 cents per share as against 35⅓ cents in 1955. Distributions from net securities profits amounted to 60 cents per share against 45 cents in the previous year.

Among the purchases made by the fund during the period May 31, 1956 to Nov. 30, 1956 were common stocks of: American Chain & Cable Company, Inc.; Burroughs Corporation; Cerro de Pasco Corporation; Edgewater Steel Company; First National City Bank of New York; Johnson & Johnson; Jones & Laughlin Steel Corporation; Pan American Sulphur Company; Sperry Rand Corporation; Sunray Mid-Continent Oil Company; and Union Bag-Camp Paper Corp.

Selected American Shares, Inc. closed the year 1956 with new records set in total net assets, asset value per share, outstanding shares and number of shareholders.

Total net assets were Dec. 31, 1956, of $65,165,831 equal to $9.94 a share, compared with $52,122,909 or $9.84 a share at the end of 1955. In addition to the gain in asset value per share a capital gain distribution of 61 cents was made in January 1956. Outstanding shares of 6,556,189 held by 16,661 holders, compared with 5,294,967 shares and 13,341 holders a year ago.

Dividends declared from income totaled 31 cents a share in 1956, vs. 30 cents a share in 1955. A capital gain distribution of 93 cents a share was declared Jan. 2, 1957, payable Jan. 25, 1957, from net profits realized in the year 1956.

At the year-end, common stocks represented 84% of assets, government bonds and cash 15% and corporate bonds 1%. The company had investments in 101 companies. Largest holdings by industry were oil 15.7% of assets, steel 11.3%, aviation 7.1%, electric utility and railroad 6.7% each, machinery 5.3% and paper 5%.

Managed Funds' Assets Reach $47 Million

A $6,264,381 gain in net assets over the 1955 all-time high was recorded by Managed Funds, Inc. during its 10th year of operations, according to the mutual fund's 1956 annual report.

Total net assets of Managed Fund's 11 classes of mutual fund shares at the end of its fiscal year, Nov. 30, were $47,297,618 compared with $41,033,237 a year earlier.

Shares outstanding also achieved record proportions—rising from 11,129,078 to 13,656,776. They were held by over 14,500 shareholders, another Managed Funds record.

The biggest contributors to the 1956 asset gain were Managed Funds Electric, Metal, Paper and Petroleum Shares with increases of well over $1,000,000 each. The biggest single gainer was Electric Shares whose assets increased $1,668,042, or 60%, over the total for Nov. 30, 1955. The report disclosed that, in the 10 years since its establishment, Managed Funds has paid out to its shareholders — now represented in 46 states — $7,256,106 from net investment income and $11,222,974 from security profits.

Managed Funds is an outgrowth of Slayton & Co. and is headed by Hilton H. Slayton, President of the latter firm. Slayton & Co. made investment industry history 27 years ago when it became the first company in the nation devoted exclusively to retailing mutual funds. The company now retails for Managed Funds, Inc. only. The fund's principal wholesaler is Mutual Fund Distributors, Inc. All three organizations are located in St. Louis.

N. Y. Enthusiasts

Members of the New York Enthusiasts, a non profit civic organization, spent an afternoon visiting the offices of Future Planning Corporation, at 112 West 34th Street, to learn all about mutual funds, it was disclosed. Future Planning Corporation, a mutual funds sales organization, showed a film, arranged an informal lecture, question and answer period and generally arranged for those present to learn the "inside" of the interesting business of Wall Street, investment generally, the stock market, and particularly the facts of mutual funds. The New York Enthusiasts was founded in 1944 by Hans Hecker, a journalist-educator, for the purpose of acquaintng people with unique fascinating New York City, to promote knowledge of the City's history, industries, culture, institutions and life. The reasons why mutual funds are becoming more and more important in the American financial world were explained by Mr. Karl D. Pettit Jr., President of FPC, the symbol of which is a golden key representing the "Key to Your Future."

Adams With Norris Kenly

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Philip S. Adams has become associated with Norris & Kenly, 209 South La Salle St., members of the New York and Midwest Stock Exchanges. Mr. Adams, who has been in the investment business for many years, was formerly with Bache & Co. and Central Republic Company.

Form Industry Developers

PORTLAND, Ore. — Industry Developers, Inc. has been formed with offices at 2207 Northwest Front Avenue to engage in a securities business. Officers are Wayne Merrell, President; Hargel Barker, Vice-President; and Charles Reynolds, Secretary-Treasurer.

Lehman Corp.'s Assets Now At $234 Million

A total net asset value of $233,789,214 and a net asset value per share of $25.26 were reported in Lehman Corporation's report for the six months period ended Dec. 31, 1956. On the same date last year the total net asset value was $232,362,650 and the net asset value was $25.11 per share, adjusted for the two for one split-up of the corporation's stock in October.

At the year's-end, net unrealized appreciation amounted to $136,650,784, an increase of $4,049,874 over the $132,600,910 of a year ago. During the calendar year 1956 there were declared total dividends of $13,186,539 from profits on investments and $5,737,301 from ordinary income equal to $1.42½ and 62 cents respectively per present share outstanding. On the same basis, per share declarations for the previous year, 1955 were $1.03½ from profits on investments and 57 cents from ordinary income.

The corporation is changing its accounting period from a fiscal year ending June 30 to the calendar year and for the six months transitional period covered in today's report, net ordinary income amounted to $2,660,586 compared with $2,729,991 for the like period last year, and net realized profits on investments totalled $3,717,904 against $5,432,756 for the same period last year.

Common stocks comprised 95.5% of the corporation's net asset value at the end of the year, with U. S. Government bonds and net cash items of $7,013,256, representing 3.0%. At the same time last year, common stocks made up 91.0% of net asset value and U. S. Governments and net cash items totalled $13,695,645, representing 5.9%.

T. F. Murphy V.-P. Of Parker Corp.

CLEVELAND, Ohio—The Parker Corporation, distributors of Incorporated Investors and Incorporated Income Fund, announces the appointment of Tom F. Murphy as Vice-President and Wholesale Representative covering the states of Ohio, Western Pennsylvania, West Virginia and Kentucky.

Mr. Murphy has been associated with McDonald & Co. of Cleveland, Ohio, for the past eight years. Previous to this he was associated with Maynard H. Murch & Co. of Cleveland.

Personal Progress

Parker Corporation, distributors of Incorporated Investors and Incorporated Income Fund, announces the appointment of Tom F. Murphy as Vice-President and Wholesale Representative covering the states of Ohio, Western Pennsylvania, West Virginia and Kentucky.

Mr. Murphy has been associated with McDonald & Co. of Cleveland, Ohio, for the past eight years. Previous to this he was associated with Maynard H. Murch & Co. of Cleveland.

Horace S. Nichols has been admitted as a partner of The Putnam Management Company, manager of The George Putnam Fund of Boston. A resident of Dedham and a graduate of Wilbraham Academy and Boston University, he has been associated with The Putnam Management Company since 1949.

James H. Orr, managing partner of Colonial Management Associates, investment adviser to The Colonial Fund, Inc., Gas Industries Fund, Inc., and The Bond Investment Trust of America announced recently the admission of Franklin R. Johnson and Edwin W. Hiam as general partners of the firm.

Mr. Johnson is a Vice-President and Secretary of The Colonial Fund, Inc., Gas Industries Fund, Inc., and The Bond Investment Trust of America. Prior to his joining Colonial Management Associates in 1956 Mr. Johnson was associated with the Boston law firm of Choate, Hall and Stewart for 14 years, the last six as a partner, specializing in corporate finance. He received his Bachelor of Laws degree in 1939 from the Northeastern University Law School and was a Special Graduate Student at Harvard Law School, 1941-1942.

Mr. Hiam joined Colonial Management Associates in 1952 and was elected Assistant Vice-President of Gas Industries Fund, Inc. in 1955. Mr. Hiam was graduated from Massachusetts Institute of Technology with a Bachelor of Science degree in Business and Engineering Administration.

Will Cloney, veteran Boston newspaperman, has been named assistant to the President of the Keystone Company of Boston, principal underwriter of the Keystone Funds with combined net assets of more than $300 million. In announcing the appointment, President S. L. Sholley said Cloney will direct the national public relations program of the Keystone organization, which encompasses 12 regional representatives and more than 1,200 dealers throughout the country. Cloney was in the Boston newspaper field for the past 26 years and for the last three years was sports editor of the Boston Post. In addition, he was an Associate Professor of Journalism at Northeastern University.

Can Savings Stop Inflation And Further Economic Growth?

First National Bank of Boston, in relating savings, inflation, and economic growth, points out that to achieve our goal of stable growth at steady prices we cannot be complacent about the predicted threat of price mark-ups contemplated during the first half of 1957, following rising price tendency during 1956. Even if savings should rise above the downward long time trend, Boston Bank recommends Government eliminate waste and practice economy, and business restrain spending until supply equals investment demands.

"Increasingly we hear the suggestion that saving should receive great encouragement," says the First National Bank of Boston in the current issue of its "New England Letter." Continuing, the bank says: "This emphasis on thrift resembles much more the homely virture preached by Benjamin Franklin in our early years than the Keynesian theme of the depression that saving was a vice which would reduce income and employment. The motivation for this proposal lies in the fact that saving offers a most desirable check to the trend toward inflation. It should not be forgotten, however, that this trend in itself, paradoxically, acts as a damper on saving. Thus, care must be exerted that we do not endanger the benefits from higher personal saving just when they are most needed.

"For some years our economy has been investing well in excess of the amounts which its various parts have been willing or able to save. This effort was sustainable as long as there were large holdings of war-acquired liquid assets in the hands of willing spenders, but gradually there came wider resort to borrowing. Insofar as the commercial banks provided the margin of requirements, this process slackened as the prudent limits dictated by bank reserves and capital were approached. Despite our rapid growth during this period, substantial inflationary pressures were unleashed.

Can Savings Stop Inflation?

"We shall do well to examine to what extent greater saving would provide an antidote to inflation and a support to economic growth. A basic consideration is the fact that continued substantial capital investment is essential to our technological progress, spurred on by rising research expenditures now around $6 billion per year. Only from increased productivity or rising per capita output can come rising real wages and higher living standards. Thus, our continued growth and prosperity are dependent upon a steady flow of savings. Will this stream also retard inflation?

"Any attempt to answer this question in a clearcut and definitive manner must recognize that saving is an exceptionally complex economic process. Not only is it not widely understood, but there is considerable difference of opinion over its definition.

"Savings arise primarily when individuals do not spend all of their current income for goods and services. Over the years individuals, including unincorporated enterprises, have accounted for nearly three-fourths of saving. Retained earnings of corporations contributed about 20% of saving, while government accounted for the remainder. In the case of individuals, saving involves reducing consumption today in order to add to wealth and to have command over more goods in the future. The funds saved tend to flow either directly or through financial institutions into appropriate investments.

"Where this process works smoothly, saving frees materials and labor for capital investment, which generally adds to future output. It acts as a balancing influence upon supply and demand for goods. When savings seem to be insufficient, or borrowing runs toward its prudent limits, or investment demand rises too high in too short a space of time—all of which seem to have characterized recent developments to some extent — inflationary pressures build up which are difficult to contain.

Long-Term Savings Trend

"What has been the trend of saving with respect to income and to the need? Accurate measurement is extremely difficult because of the form of usable data. One competent investigation concluded that, barring periods of war or major depression, the ratio of personal saving to total income after taxes for the period 1897-1949 was slightly above 8%. The relationship showed a slow secular decline during the past 50 to 100 years, and in particular was somewhat lower following World War II than during the three decades prior to 1930. Tentative data for the past six years show that the ratio has at no time been up to the long-term average. While the record during 1956 shows some improvement, it still falls short of 8%. Business investment has been steadily increasing, widening the gap relative to saving.

"Are there some factors which may have been operating to dull the incentive to save—to make it

seem either less desirable or less necessary? The trend toward higher prices over roughly two decades has certainly lowered the purchasing power of accumulated savings. During the same years we have had limited returns on most forms of saving due to low interest rates. Throughout this period there has been a widespread increase in various security programs, which may have tended to make many potential savers less thoughtful of providing for their own future. Other factors have been high personal tax rates, the redistribution of incomes, and attacks on business profits. Then, too, the accumulation of more substantial liquid assets by many, together with general optimism and confidence in the future, have played a part. And we must not omit the strong appeal of new and attractive products, in terms of utility, beauty, and convenience for a people enjoying high prosperity at near-full employment. This combination of forces has tended to make saving less attractive than spending, while concurrently creating the need for more savings to expand output.

"With a national goal of stable economic growth at steady prices, perhaps for a while we need to make spending less attractive than saving. With both wholesale and consumer prices showing a rising tendency during 1956, and with a private survey suggesting that at least 40% of United States manufacturers expect to price their own products higher during the first half of 1957, we certainly cannot be complacent about the outlook.

"Inflation control presents only unpleasant alternatives, to be sure. To the extent that an increase in saving, which is a voluntary decrease in consumption, allows added funds to be transferred to the business sector to meet investment demand or to government for its expanded requirements, a helpful lessening of the competition for scarce materials and labor results. This course is preferable to one which makes use of added controls, of whatever type.

"How can greater personal saving be encouraged? Although it has seemed that the interest rate was of small value in inducing saving, except perhaps over a span of a decade or so, greater rewards for savers arising from the recent higher interest rates, will certainly not retard the process. These will also speed the attainment of such worthwhile goals as education, travel, and the like, which motivate nearly one-half of those who save. Studies in the psychological aspects of saving suggest that solicitation, or salesmanship similar to that used by the life insurance industry, can be an important influence. Other surveys point to the factor of convenience in determining where people save, and it could easily play a part in the amounts set aside. Herein lies a challenge to banking institutions.

What Must Be Done

"The most significant contribution to encouraging saving will certainly be a continued aggressive program to maintain the stability of the dollar, and to generate the fullest confidence that this policy has top priority. Since individual savings can only be expected to meet part of the pressing needs, even though they rise above the long-time trend, government must eliminate waste and practice economy. This need is accentuated in view of the prospects for further increases in government spending, which seem likely to affect areas of the economy where competition for scarce factors of production will be the greatest. In addition, restraint in spending by business will have to continue while investment demands so far exceed the supply of funds."

$100 Million World Bank Bonds Sold

Application for well in excess of the issue in hand prior to formal public offering.

Although not formally offered until today, applications were already in hand for well in excess of the new issue of $100,000,000 World Bank bonds, it was disclosed by Perry Hall, Managing Partner of Morgan Stanley & Co., in a press interview at the firm's offices yesterday (Jan. 9). Besides Morgan Stanley, the underwriting group of 161 investment firms and banks is co-managed by the First Boston Corp. The bonds bear 4½% interest, mature Jan. 1, 1977, and were priced by the underwriting account at par.

The offering represents the fifth issue of World Bank bonds brought out in the United States on a negotiated basis by underwriting groups managed by Morgan Stanley & Co. and The First Boston Corp. The latest offering here was a $100,000,000 issue of 15-year 3½% bonds marketed in January, 1954.

The net proceeds of this sale will be used in the general operations of the Bank, an international institution in which 60 governments have membership.

Several features have been incorporated in the new offering that are designed to meet current market conditions and the operating practices of the World Bank. Arrangements have been made for sale of bonds for delayed delivery to certain institutional investors. Such sales will be at the public offering price and deliveries will be made under contracts between the Bank and the purchasers providing for deliveries in instalments on one or more quarterly dates from April 1, 1957 through Oct. 1, 1959. A commitment fee of three-quarters of 1% a year will be paid by the Bank to purchasers under delayed delivery contracts. Payments will cover the period from Jan. 22, 1957 to date of delivery, and will be made to purchasers on delivery.

This provision enables institutional investors, in agreement with the Bank, to arrange their purchases of the new issue in the light of their projected cash positions. The World Bank, on the other hand, whose disbursements on loans usually extend over a period of several years, is enabled to coordinate a portion of its borrowings with its disbursements.

The new bonds will not be redeemable before Jan. 1, 1967. On and after that date they will be redeemable at the election of the Bank at prices ranging from 103% and accrued interest if redeemed on or before Jan. 1, 1970, down to 100% if redemption is after Jan. 1, 1975.

During the 10-year period 1957-66, when the bonds are not redeemable, a purchase fund will be in operation, commencing April 1, 1957 and continuing through 1966. The fund, which is non-cumulative from year to year, provides for the purchase of bonds in the open market or by acceptance of tenders at prices up to and including 100% and accrued interest. It will be at an annual rate of $5,000,000 principal amount after all bonds, including bonds sold on a delayed delivery basis, are issued. The rate will be proportionately less before then.

A mandatory sinking fund has been provided and will start to operate in 1967. It is in addition to the purchase fund and requires the Bank to retire $5,000,000 principal amount of the bonds on or before July 1, 1967 and on or before July 1 in each year thereafter to and including 1976. Redemption prices for sinking fund purposes will be in each case at 100% and accrued interest.

Total reserves of the Bank as of Nov. 30, 1956 were $249,076,815 equivalent. From June 25, 1946 to Nov. 30, 1956 the Bank's net income amounted to the equivalent of $165,403,640. The net income has been allocated to a supplemental reserve against losses on loans and guarantees. During the same period the equivalent of $83,673,175 had accumulated in the special reserve provided for in the Bank's Articles of Agreement.

Business Man's Bookshelf

Architectural Acoustics and Acoustical Materials—Illustrated booklet—Acoustical Materials Association, 57 East 55th Street, New York, N. Y. On request.

Corporate Pension Funds—Second annual survey—Duplicating Section, Securities and Exchange Commission, Washington 5, D.C.

Credit Manual of Commercial Laws, 1957—Henry H. Heimann, W. Randolph Montgomery, William C. Porth, and Ernest A. Rovelstad—National Association of Credit Men, 229 Fourth Avenue, New York 3, N. Y. (cloth) $10.

Denmark—Royal Danish Ministry of Foreign Affairs and Danish Statistical Department—Danish Information Office, 588 Fifth Avenue, New York 36, N. Y. (paper).

Economic Growth Projected to 1970 — Long-range business planning guide for executives—Eddy-Rucker-Nickels Company, 4 Brattle, Cambridge, Mass. (laminated plastic) $1.

How They Handle Their Personnel—Comparison of 110 practical personnel programs — William L. Barton — East River Savings Bank, 26 Cortlandt Street, New York 7, N. Y. (paper) $14.75.

Investment in Cuba — Handbook designed to help U. S. businessmen explore investment possibilities in Cuba—Department of Commerce, Bureau of Foreign Commerce, Washington 25, D. C. (paper) $1.25.

Investment Patterns in the World Petroleum Industry—Frederick G. Coqueron and Joseph E. Pogue—Petroleum Department, Chase Manhattan Bank, 18 Pine Street, New York 15, N. Y. (paper).

Mail Order Business Directory—Listing over 2,000 large and small mail order firms — B. Klein & Company, 23 East 22nd Street, New York 10, N. Y. $15.

Railway Progress — January 1957 —Federation for Railway Progress, 1430 K Street, N. W., Washington, D. C. (paper) 35 cents.

Trend Toward Longer-Term Contracts—A selected bibliography —Selected References, Industrial Relations Section, Princeton University, Princeton, N. J. (paper) 20 cents.

Joins E. E. Mathews

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Edward J. Kirkpatrick, Jr. is now associated with Edward E. Mathews Co., 53 State Street.

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. 21, 1957 (Philadelphia, Pa.) Investment Women's Club of Philadelphia annual "Boss Night" dinner at Barclay Hotel.

Jan. 24-25, 1957 (Chicago, Ill.) Association of Stock Exchange Firms Board of Governors meeting at Edgewater Beach Hotel.

Jan. 28, 1957 (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.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Probably the real story behind the formulation of the new "Dulles Doctrine" or "Eisenhower Doctrine" as it may come to be called is the apparently off-hand, entirely casual manner in which foreign policy is framed in the Eisenhower Administration. Some on the Hill would simply just call it half-baked.

When the Administration intervened in cooperation with Russia, using the "United" Nations as a front, and killed the Franco-British invasion of Egypt, the Administration was simply working with a total devotion to its then operating rationalizations, the necessity for peace at any price and the glorifying of the "United" Nations.

Foreign policy experts do not rate empiricism as without value, so long as the policy-makers keep constantly abreast of developments. In such cases a quick shift in ground can often achieve remarkable results. On the other hand, a devotion to a concept for its own sake, such as "collective" security, without regard to the opportunities disclosed by new events, they feel can work infinite mischief.

It is pretty well believed at the Capitol that ever since the invasions of Egypt, the Administration has acted like someone who had given practically no thought of the second, third, and fourth possible consequences of any given course of action. Instead, the belief is, the Administration simply reacted from its devotion to peace at any price and to its equal devotion to the abstract concept of the value of the "United" Nations.

In proposing to record the Congress as resolving to combat, presumably if the UN agrees, Russian aggression in the Middle East, the Administration is merely trying to undo some of the damage Mr. Eisenhower wrought in preventing the British and French from removing the No. 1 candidate as the Russian stooge in the area, Nasser of Egypt. And at a time which looked opportune, when the Russians were worried.

Undoes Press Conference

On the other hand, this resolution also seeks to undo the damage which Mr. Eisenhower wrought in his press conference when asked whether U. S. forces would oppose any attempt which might be made by the Reds to land "volunteers" in Egypt. The President in press conferences can be almost as garrulous as his Secretary of State if unfortunately, at times, less obscure. Why the United States would not take unilateral action to stop the Reds but might do so if the UN invited this nation to take such action, the President indicated.

At that time the U. S. Sixth Fleet was in a state of total combat readiness, armed and ready to shoot. This, of course, was no secret at the time to the Reds, although it was not until later that the people of the U. S. were so advised. In view of the fact that the U. S. should have quite an interest in keeping the Reds out of there, and in the further view of the fact that this country had the military means to keep the Reds out, the logical answer would have been a simple, "no comment." Or a politically mature President might have said enigmatically on purpose, "why the Reds know perfectly well what we will do if they land troops in the Middle East for any purpose."

Press Relations Policy

Which brings up the need for an outline of the Eisenhower Administration's press relations policy.

Virtually no member of the Truman Cabinet or important member of the independent agency staff was unavailable to newsmen who had a legitimate interest in asking questions of these high officials. That does not mean that any one of a couple of thousand accredited newsmen at any time could call any important official freely.

However, if one wrote for a paper dealing heavily in power or reclamation projects, he could get to talk to the Secretary of the Interior. If he wrote on financial subjects, he could ask a question of the Secretary of the Treasury, etc.

Furthermore, under the Democrats from Roosevelt through Truman, most high officials held regular press conferences.

News Via Dinner

As the Associated Press reported near the year-end, the regular press conference is comparatively rare in the Eisenhower Administration. Furthermore, most of the members of the Cabinet "feed" out their news (this was not reported by the AP) through dinner get-togethers with chosen correspondents. Obviously these correspondents must be friendly or they are not taken into the confidence (?) of the Cabinet members.

In the process the White House press conference, taped for sound and televised so that selected visual shots of the Master can be placed on the TV, is turned into a publicity circus.

In the process the President never seems to let an opportunity slip to talk. In the process the press conference becomes superficial. On the other hand, the President will give off-hand answers to major policy questions and thus make policy when many at times believe silence instead would be golden. A few newspaper men, a comparative few, to be sure, would like to see it as it was under Herbert Hoover. Mr. Hoover required submission of written questions in advance, which gave the White House an opportunity to think through before talking, and to avoid talking where it would possibly do harm.

Implications of Doctrine

Text of the resolution on the "Eisenhower Doctrine" limited its application to direct aggression by Russia or a Russian stooge, and only to cases where the victim could or would ask help. Yet open aggression was viewed by even the State Department itself, it is believed, as a most unlikely possibility.

The real possibility is subversion of a Middle East country, which the resolution does not provide for. On the record the President says all actions in effect will be subordinated to the UN. Nevertheless, "inspired" stories explain that action can first be taken and later reported by the United States to the UN.

This double talk is not likely to terrify the Russians any more than if Mr. Eisenhower were to fling an ounce of bread dough in the direction of the Kremlin with all his violent strength.

Under the Eisenhower scheme the U. S., in a not far-fetched situation, could as in Egypt become the opponent of an historic ally and the friend of Russia. Syria is being heavily infiltrated by the Comrades. Five members of its Cabinet are said to be Commies. Its army is being equipped and trained by Russians.

Thus Turkey is threatened with enemies on the south as well as the north. If Turkey were to wage a preventive war against Syria, the "Eisenhower Doctrine" would require the U. S., if asked by Syria, to go to the aid of Syria and fight Turkey, rated as one of the allies most likely to fight Russia if there is a real showdown.

Responds to Need

Thus, whatever passes will be evaluated not for its literal terms, but as a means of trying to repair the damage occasioned by the killing of the Franco-British invasion of Egypt and the subsequent press conference indication the U. S. would do nothing to halt Red aggression except through the U. N. In other words, the clumsy procedure is the response to the need for somehow indicating that the United States has vital interests in the Middle East it will not forego and that Congress agrees. The military people finally "got through" to get this idea across to the White House. Just in case the resolution might work to give the Russians a little pause, it will be favored by thinking men at the Capitol.

With the proposed $400-million Middle East aid program, the Administration is likewise operating in the great blue yonder. There is no indication that the Middle East will want this aid generally, or that there is more than the remotest idea what the money can be spent for. This notion stems from the Eisenhower Administration habit thought, "When in trouble, spend money."

Patman Plan

If someone wanted to play a really dirty trick on the arch-inflationist, Rep. Wright Patman (D., Tex.) they would persuade the Congressional leadership to pass his bill to require the Treasury to accept at par and accrued interest, any outstanding Treasury obligations in payment of tax liabilities.

Mr. Patman, of course, is unhappy with the fact that under the free market policy, Treasury bonds in some cases have fallen substantially below par with the higher interest rate pattern. To dramatize this situation, the Congressman has asked that there be legislation forcing the Treasury to accept government obligations at par and accrued interest in payment of taxes.

Under such circumstances, taxpayers little and big, corporate and individual, would enter the market and buy up government bonds selling at 90 or thereabouts, turn them in on their 1957 taxes, and reap a substantial windfall.

This would make Mr. Patman extremely popular with Congress, for he would have fathered a proposal for big windfall profits for corporations and rich taxpayers, as well as for such little taxpayers as had the means of doing this.

Mr. Patman, of course, is the friend of big taxpayers.

Since the purchase of below-par market bonds would to the extent they were turned in, deprive the Treasury of cash to spend, the Treasury would have to replace this debt with new securities which obviously would have to be sold at the higher money rates now prevailing. Mr. Patman has consistently opposed higher interest rates on government securities. His proposal to force the Treasury to refund securities paying, say, 2.5% interest, with perhaps 4% coupons, thus is probably a suggestion that Representative Patman perhaps is not after all, as he says, an opponent of higher interest rates, for he would force the Treasury to pay higher interest rates.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ

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